

CITY OF WHITEHALL, OHIO

**BASIC
FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED
DECEMBER 31, 2010*

KIM MAGGARD, CITY AUDITOR

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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Accountant's Compilation Report

To the Members of City Council
Whitehall, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the City of Whitehall (the "City"), as of and for the year ended December 31, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis, on pages 3 through 14, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

May 20, 2011

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of the City of Whitehall's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The total net assets of the City increased \$2,574,205 or 8.88% compared to 2009.
- General revenues accounted for \$19,823,687 or 78.50% of total governmental activities revenue. Program specific revenues accounted for \$5,430,545 or 21.50% of total governmental activities revenue.
- The City had \$22,680,027 in expenses related to governmental activities; \$5,430,545 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, payment in lieu of taxes, income taxes and unrestricted grants and entitlements) of \$19,823,687.
- The general fund had revenues and other financing sources of \$20,584,600 in 2010. The expenditures and transfers out of the general fund totaled \$21,204,683 in 2010. The net decrease in fund balance for the general fund was \$620,083 or 12.33%.
- The capital improvement fund had revenues and transfers in of \$2,783,504 in 2010. The expenditures of the capital improvement fund totaled \$2,420,678 in 2010. The net increase in fund balance for the capital improvement fund was \$362,826 or 55.52%.
- In the general fund, the actual revenues and other financing sources were \$553,171 higher than they were in the final budget and actual expenditures and other financing uses were \$365,832 less than the amount in the final budget. Budgeted expenditures and other financing uses increased \$1,304,067 from the original to the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes, payment in lieu of taxes, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental funds, the general fund and the capital improvement fund, begins on page 9.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-51 of this report.

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2010 compared to 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
	<u> </u>	<u> </u>
<u>Assets</u>		
Current and other assets	\$ 15,453,550	\$ 14,054,398
Capital assets	<u>23,051,248</u>	<u>21,240,781</u>
Total assets	<u>38,504,798</u>	<u>35,295,179</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	3,504,204	3,596,892
Other liabilities	<u>3,453,449</u>	<u>2,725,347</u>
Total liabilities	<u>6,957,653</u>	<u>6,322,239</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	21,422,059	19,364,514
Restricted	6,824,714	5,686,045
Unrestricted	<u>3,300,372</u>	<u>3,922,381</u>
Total net assets	<u>\$ 31,547,145</u>	<u>\$ 28,972,940</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$32,071,909.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 59.87% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$21,422,059 in the governmental activities. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$6,824,714, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,825,136 may be used to meet the City's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2010 and 2009.

	Change in Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
	<u> </u>	<u> </u>
Revenues		
Program revenues:		
Charges for services	\$ 1,843,009	\$ 1,523,889
Operating grants and contributions	2,033,366	1,355,463
Capital grants and contributions	<u>1,554,170</u>	<u>929,554</u>
Total program revenues	<u>5,430,545</u>	<u>3,808,906</u>
General revenues:		
Property and lodging taxes	540,665	516,568
Income taxes	16,783,672	16,004,379
Payments in lieu of taxes	449,492	1,125,044
Unrestricted grants and entitlements	1,621,629	1,456,263
Investment earnings	79,005	139,826
Miscellaneous	<u>349,224</u>	<u>752,830</u>
Total general revenues	<u>19,823,687</u>	<u>19,994,910</u>
Total revenues	<u>25,254,232</u>	<u>23,803,816</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Expenses		
General government	\$ 6,853,110	\$ 6,361,664
Security of persons and property	11,362,217	11,676,927
Public health and welfare	119,592	284,552
Transportation	2,623,097	2,478,019
Community environment	219,806	1,251,252
Leisure time activity	733,584	762,010
Utility services	676,465	614,424
Interest and fiscal charges	<u>92,156</u>	<u>108,112</u>
 Total expenses	 <u>22,680,027</u>	 <u>23,536,960</u>
 Change in net assets	 <u>2,574,205</u>	 <u>266,856</u>
 Net assets at beginning of year	 <u>28,972,940</u>	 <u>28,706,084</u>
 Net assets at end of year	 <u>\$ 31,547,145</u>	 <u>\$ 28,972,940</u>

Governmental Activities

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$11,362,217 of the total expenses of the City. These expenses were partially funded by \$603,939 in direct charges to users of the services, and \$491,431 in operating grants and contributions. Transportation expenses totaled \$2,623,097. Transportation expenses were primarily funded by \$181,336 in direct charges to users of the services, \$870,627 in operating grants and contributions and \$1,503,981 in capital grants and contributions.

During 2010, the state and federal government contributed to the City a total of \$3,587,536 in operating grants and contributions and capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$870,627 subsidized transportation programs, and \$491,431 subsidized security of persons and property programs. The City received \$1,554,170 in capital grants and contributions from OPWC and ODOT for road projects.

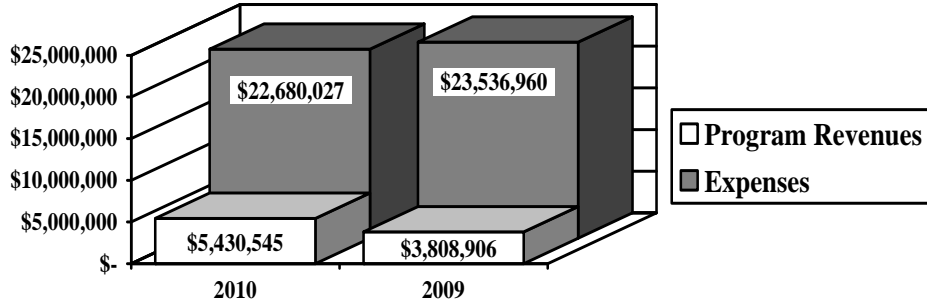
General revenues totaled \$20,348,451, and amounted to 78.93% of total governmental revenues in 2010, compared to 84.00% in 2009. These revenues primarily consist of property and income tax revenue of \$17,240,643. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,621,629.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities - Program Revenues vs. Total Expenses

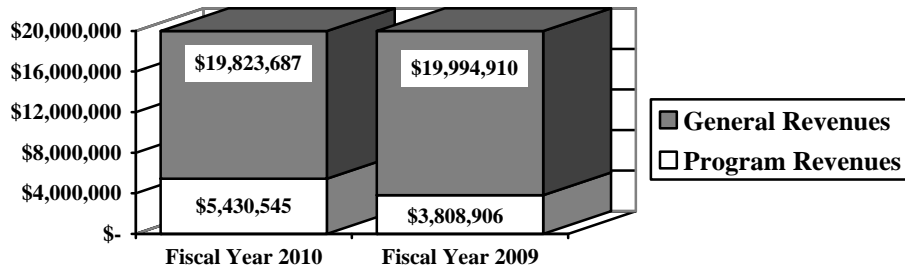


Governmental Activities

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 6,853,110	\$ 5,177,372	\$ 6,361,664	\$ 4,388,948
Security of persons and property	11,362,217	10,266,847	11,676,927	11,026,610
Public health and welfare	119,592	117,592	284,552	283,778
Transportation	2,623,097	67,153	2,478,019	1,423,484
Community environment	219,806	218,758	1,251,252	1,251,252
Leisure time activity	733,584	633,139	762,010	631,446
Utility services	676,465	676,465	614,424	614,424
Interest and fiscal charges	92,156	92,156	108,112	108,112
Total	\$ 22,680,027	\$ 17,249,482	\$ 23,536,960	\$ 19,728,054

The dependence upon general revenues for governmental activities is apparent, with 76.06% of expenses supported through taxes and other general revenues for 2010.

Governmental Activities - General and Program Revenues



**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$10,138,809 which is \$689,959 higher than last year's total of \$9,448,850. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/10</u>	Fund Balances <u>12/31/09</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 4,407,640	\$ 5,027,723	\$ (620,083)
Capital improvement	1,016,336	653,510	362,826
Other nonmajor governmental funds	<u>4,714,833</u>	<u>3,767,617</u>	<u>947,216</u>
Total	<u>\$10,138,809</u>	<u>\$ 9,448,850</u>	<u>\$ 689,959</u>

General Fund

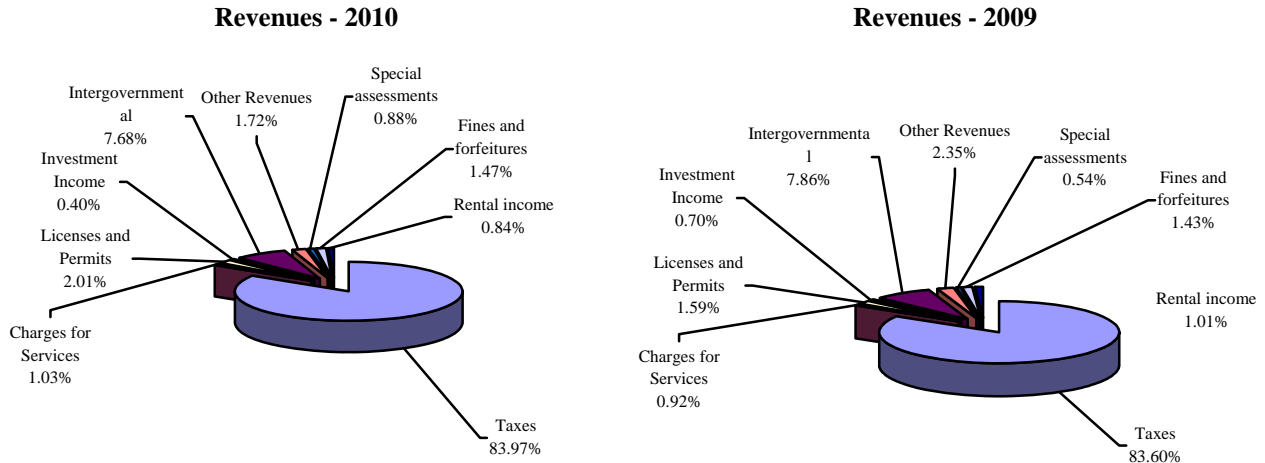
The City's General Fund balance decreased \$620,083. The table that follows assists in illustrating the revenues of the general fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Amount Increase <u>(Decrease)</u>	Percentage Increase <u>(Decrease)</u>
<u>Revenues</u>				
Taxes	\$ 17,249,926	\$ 16,503,895	\$ 746,031	4.52 %
Charges for services	210,976	182,425	28,551	15.65 %
Licenses and permits	413,698	313,589	100,109	31.92 %
Fines and forfeitures	301,364	281,685	19,679	6.99 %
Investment income	82,487	137,913	(55,426)	(40.19) %
Special assessments	181,321	105,781	75,540	71.41 %
Intergovernmental	1,577,018	1,552,112	24,906	1.60 %
Rental income	172,458	199,397	(26,939)	(13.51) %
Other	<u>353,424</u>	<u>463,456</u>	<u>(110,032)</u>	<u>(23.74) %</u>
Total	<u>\$ 20,542,672</u>	<u>\$ 19,740,253</u>	<u>\$ 802,419</u>	4.06 %

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Tax revenue increased slightly by 4.52% over prior year. Taxes increased primarily due to the \$758,151 increase in cash receipts received by the City for income taxes during 2010. The increase in special assessments revenue is due to an increase in the collections for special assessments as a result of additional assessments being imposed. Rental income decreased due to decreased revenue from the Four Seasons Golf Property Lease during the year.



The table that follows assists in illustrating the expenditures of the General Fund.

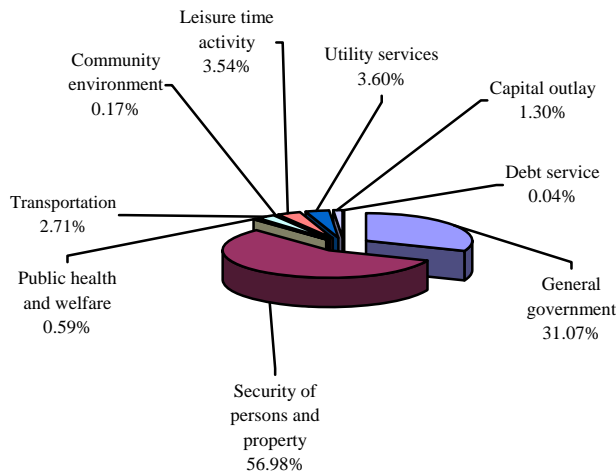
	2010 Amount	2009 Amount	Amount Increase (Decrease)	Percentage Increase (Decrease)
Expenditures				
General government	\$ 5,830,459	\$ 5,967,360	\$ (136,901)	(2.29) %
Security of persons and property	10,695,309	10,354,634	340,675	3.29 %
Public health and welfare	110,079	110,079	-	-
Transportation	507,729	469,869	37,860	8.06 %
Community environment	31,443	19,183	12,260	63.91 %
Leisure time activity	664,087	654,297	9,790	1.50 %
Utility services	676,465	614,424	62,041	10.10 %
Capital outlay	243,243	351,604	(108,361)	(30.82) %
Debt service	8,311	1,319	6,992	530.10 %
Total	\$ 18,767,125	\$ 18,542,769	\$ 224,356	1.21 %

**CITY OF WHITEHALL
FRANKLIN COUNTY**

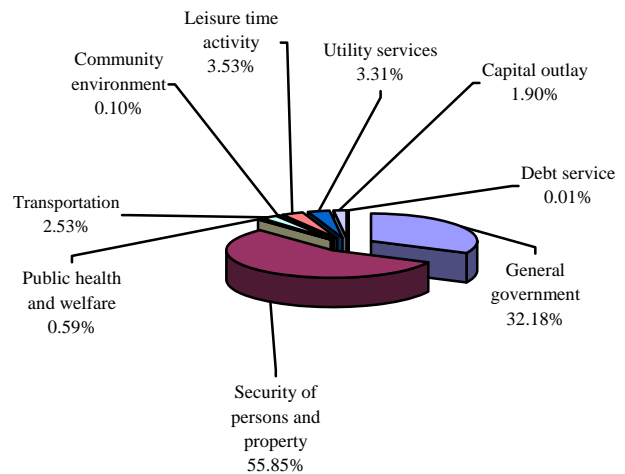
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The most significant decrease was in the area of general government. This can be attributed to a decrease of approximately \$267,000 in expenditures for claim payments made during the fiscal year compared to the prior fiscal year (See Note 13.B). The increase in security of persons and property was a result of an increase in wages and benefits expenditures during fiscal year 2010 stemming from annual employee raises. The decrease in utility services is due to a decrease in fuel expenditures for the City due to declining fuel prices in 2010 compared to 2009. The increase in debt service expenditures is due to principal and interest paid on new capital lease obligations entered into during 2010.

Expenditures - 2010



Expenditures - 2009



Capital Improvement Fund

The City's capital improvement fund had revenues of \$1,503,981 in 2010. The expenditures of the capital improvement fund, totaled \$2,420,678 in 2010. The net increase in fund balance for the capital improvement fund was \$362,826.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General Fund. Actual revenues and other sources of \$20,556,041 were more than final budgeted revenues and other sources by \$553,171 as a result of a larger increase in income tax revenues than expected. The actual expenditures and other uses of \$22,390,463 were \$365,832 lower than final budgeted expenditures and other uses of \$22,756,295. Final budgeted expenditures and other uses were \$1,304,067 higher than the original budgeted expenditures of \$21,452,228.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Capital Assets and Debt Administration

Capital Assets

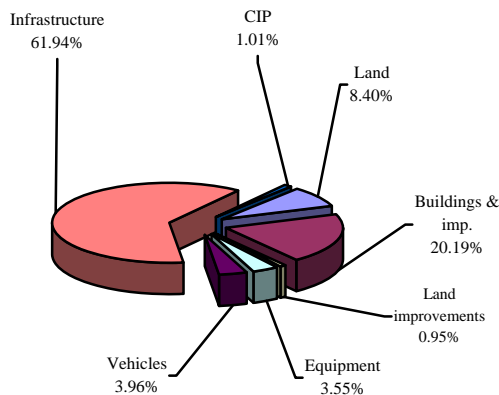
At the end of fiscal 2010, the City had \$23,051,248 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure, which is an increase of \$1,810,467 from prior year primarily due to an increase in infrastructure from various street improvement projects throughout the City. The following table shows fiscal 2010 balances compared to 2009:

**Capital Assets at December 31
(Net of Depreciation)**

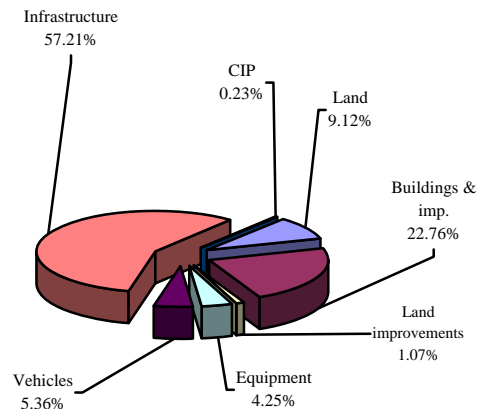
	Governmental Activities	
	2010	2009
Land	\$ 1,936,482	\$ 1,936,482
Land improvements	219,208	227,127
Buildings and improvements	4,654,079	4,834,827
Equipment	817,691	903,190
Vehicles	912,946	1,138,843
Infrastructure	14,278,853	12,151,995
Construction in progress	231,989	48,317
Totals	<u>\$ 23,051,248</u>	<u>\$ 21,240,781</u>

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

**Capital Assets - Governmental Activities
2010**



**Capital Assets - Governmental Activities
2009**



The City's largest capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 61.94% of the City's total governmental capital assets. See Note 10 to the basic financial statements for detail on capital assets.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2010 and 2009:

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Compensated absences	\$ 1,875,015	\$ 1,719,875
General obligation bonds	1,440,000	1,805,000
OPWC loan	102,404	-
Capital lease obligation	36,129	750
Lease-purchase agreement	<u>85,135</u>	<u>110,731</u>
Total long-term obligations	<u>\$ 3,538,683</u>	<u>\$ 3,636,356</u>

See Note 12 to the basic financial statements for detail on long-term obligations.

Economic Conditions and Next Year's General Fund Budget Outlook

The City of Whitehall remains strong financially. The City of Whitehall's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In November of 2010, the voters approved a 0.5% increase in municipal income tax, from 2.0% to 2.5%, effective January 1, 2011. The extra funds generated by the increased income tax will be used to meet EPA water improvement mandates, upgraded infrastructure, renovation and building of a community recreation center and supporting general fund activities.

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget. Most of our revenues are influenced by the economy. The City income tax revenue forecast, particularly, is highly influenced by economic conditions. The primary objective for the 2010 budget was continued improvement service delivery to constituents.

When considering the economic health of the city, the unreserved fund balance serves as a useful indicator of the City's net resources available for spending at year-end. At the end of 2010, the City's unreserved fund balance decreased from the previous year due to increased cost of doing business as well as needed transfers to the Water Improvement Fund and Infrastructure fund. City Administration is confident that with the passage of the increased income tax, general fund revenues will grow in the coming years.

During this time of statewide recession, the administration should strongly consider the effect of downward pressures on future revenue and the impact it has upon maintaining current citywide services to residents and taxpayers. In order to achieve this, administration must be committed to maintaining comprehensive efforts to reduce costs and maximize efficiency.

In order to meet the challenges of 2011, a strong and balanced commitment to cost containment and continued revenue enhancement in respect to the General Fund is essential. The City's financial position will remain stable only if thorough and conservative financial management is practiced while aggressively seeking new development opportunities and other sources of revenue.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 Ms. Kim Maggard, City Auditor, City of Whitehall, 360 S. Yearling Road, Whitehall, Ohio 43213.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 11,000,484
Cash with fiscal and escrow agent.	57,504
Receivables (net of allowances for uncollectibles):	
Income taxes.	1,601,530
Property and other taxes	480,722
Payment in lieu of taxes.	524,764
Accounts.	292,056
Special assessments	222,622
Accrued interest	15,133
Due from other governments.	988,131
Prepayments	97,636
Materials and supplies inventory.	136,910
Unamortized bond issue costs	36,058
Capital assets:	
Land	1,936,482
Construction in progress.	231,989
Depreciable capital assets, net.	20,882,777
Total capital assets, net.	23,051,248
 Total assets	 38,504,798
Liabilities:	
Accounts payable.	605,620
Contracts payable.	231,989
Accrued wages and benefits payable	473,952
Due to other governments	1,072,391
Accrued interest payable	4,767
Claims payable.	153,835
Unearned revenue	910,895
Long-term liabilities:	
Due within one year	1,168,845
Due in more than one year.	2,335,359
 Total liabilities	 6,957,653
Net assets:	
Invested in capital assets, net of related debt	21,422,059
Restricted for:	
Street maintenance and repair	460,585
Economic development.	375,466
Fire department equipment.	505,265
Community development	590,135
Capital projects.	1,923,675
Human services programs	2,969,588
Unrestricted	3,300,372
 Total net assets	 \$ 31,547,145

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government.	\$ 6,853,110	\$ 957,289	\$ 668,260	\$ 50,189	\$ (5,177,372)
Security of persons and property	11,362,217	603,939	491,431	-	(10,266,847)
Public health and welfare	119,592	-	2,000	-	(117,592)
Transportation.	2,623,097	181,336	870,627	1,503,981	(67,153)
Community environment	219,806	-	1,048	-	(218,758)
Leisure time activity.	733,584	100,445	-	-	(633,139)
Utility services	676,465	-	-	-	(676,465)
Interest and fiscal charges.	92,156	-	-	-	(92,156)
Total governmental activities	\$ 22,680,027	\$ 1,843,009	\$ 2,033,366	\$ 1,554,170	(17,249,482)
			General revenues:		
			Property taxes levied for:		
			General purposes	456,971	
			Income taxes levied for:		
			General purposes	16,783,672	
			Lodging taxes levied for:		
			Special revenue	83,694	
			Payment in lieu of taxes	449,492	
			Grants and entitlements not restricted		
			to specific programs	1,621,629	
			Investment earnings	79,005	
			Miscellaneous	349,224	
			Total general revenues	19,823,687	
			Change in net assets	2,574,205	
			Net assets at beginning of year.	28,972,940	
			Net assets at end of year	\$ 31,547,145	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,222,961	\$ 1,748,325	\$ 5,029,198	\$ 11,000,484
Receivables (net of allowances for uncollectibles):				
Income taxes.	1,601,530	-	-	1,601,530
Property and other taxes	475,442	-	5,280	480,722
Payment in lieu of taxes	-	-	524,764	524,764
Accounts.	74,051	-	218,005	292,056
Interfund loans.	672,977	-	117,000	789,977
Accrued interest	15,133	-	-	15,133
Special assessments	222,622	-	-	222,622
Due from other funds	-	-	1,832	1,832
Due from other governments.	666,128	-	322,003	988,131
Prepayments	97,636	-	-	97,636
Materials and supplies inventory.	28,999	-	107,911	136,910
Restricted assets:				
Cash with fiscal and escrow agent.	-	-	57,504	57,504
Total assets	<u>\$ 8,077,479</u>	<u>\$ 1,748,325</u>	<u>\$ 6,383,497</u>	<u>\$ 16,209,301</u>
Liabilities:				
Accounts payable.	\$ 180,441	\$ -	\$ 425,179	\$ 605,620
Contracts payable.	-	231,989	-	231,989
Accrued wages and benefits payable	440,815	-	33,137	473,952
Compensated absences payable	5,242	-	-	5,242
Interfund loans payable.	-	500,000	289,977	789,977
Due to other funds	1,832	-	-	1,832
Due to other governments	1,014,032	-	58,359	1,072,391
Claims payable	153,835	-	-	153,835
Deferred revenue	1,487,511	-	337,248	1,824,759
Unearned revenue	386,131	-	524,764	910,895
Total liabilities	<u>3,669,839</u>	<u>731,989</u>	<u>1,668,664</u>	<u>6,070,492</u>
Fund balances:				
Reserved for encumbrances	339,099	238,421	231,506	809,026
Reserved for prepayments	97,636	-	-	97,636
Reserved for materials and supplies inventory	28,999	-	107,911	136,910
Unreserved, designated for insurance contingency	958,518	-	-	958,518
Unreserved, undesignated, reported in:				
General fund.	2,983,388	-	-	2,983,388
Special revenue funds	-	-	2,605,770	2,605,770
Capital projects funds	-	777,915	1,769,646	2,547,561
Total fund balances.	<u>4,407,640</u>	<u>1,016,336</u>	<u>4,714,833</u>	<u>10,138,809</u>
Total liabilities and fund balances	<u>\$ 8,077,479</u>	<u>\$ 1,748,325</u>	<u>\$ 6,383,497</u>	<u>\$ 16,209,301</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$ 10,138,809
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,051,248
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 766,752	
Property taxes receivable	89,311	
Accounts receivable	155,854	
Accrued interest receivable	5,999	
Special assessments receivable	222,622	
Intergovernmental receivable	584,221	
Total	1,824,759	1,824,759
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Accrued interest payable	(4,767)	
General obligation bonds payable	(1,440,000)	
OPWC loan	(102,404)	
Capital lease obligations payable	(36,129)	
Lease-purchase agreement payable	(85,135)	
Compensated absences payable	(1,869,773)	
Total	(3,538,208)	(3,538,208)
Unamortized deferred charges on refundings are not recognized in the funds.		39,605
Unamortized premiums on bond issuances are not recognized in the funds.		(5,126)
Unamortized bond issuance costs are not recognized in the funds.		36,058
Net assets of governmental activities		\$ 31,547,145

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Municipal income taxes	\$ 16,814,950	\$ -	\$ -	\$ 16,814,950
Property and other taxes.	434,976	-	83,694	518,670
Payment in lieu of taxes	-	-	449,492	449,492
Charges for services.	210,976	-	435,555	646,531
Licenses and permits	413,698	-	139,434	553,132
Fines and forfeitures	301,364	-	31,176	332,540
Intergovernmental.	1,577,018	1,503,981	2,087,580	5,168,579
Special assessments	181,321	-	-	181,321
Investment income.	82,487	-	1,055	83,542
Rental income	172,458	-	-	172,458
Contributions and donations.	4,200	-	-	4,200
Other	349,224	-	-	349,224
Total revenues	<u>20,542,672</u>	<u>1,503,981</u>	<u>3,227,986</u>	<u>25,274,639</u>
Expenditures:				
Current:				
General government	5,830,459	-	984,699	6,815,158
Security of persons and property	10,695,309	-	216,801	10,912,110
Public health and welfare.	110,079	-	9,513	119,592
Transportation	507,729	-	1,091,759	1,599,488
Community environment	31,443	-	187,779	219,222
Leisure time activity	664,087	-	-	664,087
Utility services	676,465	-	-	676,465
Capital outlay	243,243	2,420,678	578,397	3,242,318
Debt service:				
Principal retirement.	5,949	-	392,686	398,635
Interest and fiscal charges	2,362	-	81,065	83,427
Total expenditures	<u>18,767,125</u>	<u>2,420,678</u>	<u>3,542,699</u>	<u>24,730,502</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,775,547</u>	<u>(916,697)</u>	<u>(314,713)</u>	<u>544,137</u>
Other financing sources (uses):				
Capital lease transaction.	41,328	-	-	41,328
Loan proceeds	-	-	104,494	104,494
Transfers in	600	1,279,523	1,158,035	2,438,158
Transfers (out).	<u>(2,437,558)</u>	<u>-</u>	<u>(600)</u>	<u>(2,438,158)</u>
Total other financing sources (uses)	<u>(2,395,630)</u>	<u>1,279,523</u>	<u>1,261,929</u>	<u>145,822</u>
Net change in fund balances	(620,083)	362,826	947,216	689,959
Fund balances at beginning of year	<u>5,027,723</u>	<u>653,510</u>	<u>3,767,617</u>	<u>9,448,850</u>
Fund balances at end of year	<u>\$ 4,407,640</u>	<u>\$ 1,016,336</u>	<u>\$ 4,714,833</u>	<u>\$ 10,138,809</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

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, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds		\$ 689,959
<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 outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 3,407,913	
Current year depreciation	<u>(1,597,146)</u>	
Total		1,810,767
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(300)
Proceeds of OPWC loans are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(41,328)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	\$ (31,278)	
Property taxes	21,995	
Accounts	(42,973)	
Accrued interest	(3,489)	
Special assessments	39,647	
Intergovernmental	<u>(4,309)</u>	
Total		(20,407)
Repayment of bond, loan, capital lease, and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		398,635
Capital lease transactions are recognized as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(104,494)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	1,469	
Amortization of bond premium	741	
Amortization of deferred charges on refunding	(5,726)	
Amortization of bond issuance costs	<u>(5,213)</u>	
Total		(8,729)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(149,898)</u>
Change in net assets of governmental activities		<u><u>\$ 2,574,205</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 16,360,601	\$ 16,360,601	\$ 16,813,048	\$ 452,447
Property and other taxes.	423,271	423,271	434,976	11,705
Charges for services.	205,574	205,574	211,259	5,685
Licenses and permits	401,097	401,097	412,189	11,092
Fines and forfeitures	290,559	290,559	298,594	8,035
Intergovernmental.	1,508,992	1,508,992	1,550,723	41,731
Special assessments	176,442	176,442	181,321	4,879
Investment income.	110,347	110,347	113,399	3,052
Rental income	181,037	181,037	186,043	5,006
Contributions and donations.	4,087	4,087	4,200	113
Other	340,279	340,279	349,689	9,410
Total revenues	<u>20,002,286</u>	<u>20,002,286</u>	<u>20,555,441</u>	<u>553,155</u>
Expenditures:				
Current:				
General government	5,926,855	6,160,941	5,916,173	244,768
Security of persons and property	11,154,086	11,187,832	11,036,290	151,542
Public health and welfare.	110,000	110,100	110,079	21
Transportation	546,060	544,100	505,268	38,832
Community environment	29,670	34,975	35,117	(142)
Leisure time activity	848,082	746,194	687,517	58,677
Utility services	1,039,257	759,500	870,397	(110,897)
Capital outlay	407,965	304,900	291,945	12,955
Total expenditures	<u>20,061,975</u>	<u>19,848,542</u>	<u>19,452,786</u>	<u>395,756</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(59,689)</u>	<u>153,744</u>	<u>1,102,655</u>	<u>948,911</u>
Other financing sources (uses):				
Advances (out) and not repaid	(50,000)	(501,500)	(500,119)	1,381
Transfers in	584	584	600	16
Transfers (out).	(1,340,253)	(2,406,253)	(2,437,558)	(31,305)
Total other financing sources (uses)	<u>(1,389,669)</u>	<u>(2,907,169)</u>	<u>(2,937,077)</u>	<u>(29,908)</u>
Net change in fund balances	(1,449,358)	(2,753,425)	(1,834,422)	919,003
Fund balances at beginning of year	5,091,700	5,091,700	5,091,700	-
Prior year encumbrances appropriated	536,267	536,267	536,267	-
Fund balance at end of year	<u>\$ 4,178,609</u>	<u>\$ 2,874,542</u>	<u>\$ 3,793,545</u>	<u>\$ 919,003</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 449,541
Total assets	<u>\$ 449,541</u>
Liabilities:	
Accounts payable	\$ 11,137
Due to other governments.	<u>438,404</u>
Total liabilities.	<u>\$ 449,541</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE CITY

The City of Whitehall (the "City") is a home rule corporation established under the laws of the State of Ohio that operates under its own Charter. The current Charter, which provides for the Mayor-Council form of government, was adopted November 8, 1966 and became effective December 31, 1966.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental funds provided it does not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The City has no component units, but is a member of an insurance purchasing pool for workers' compensation which is described in Note 13.

To provide necessary services to its citizens, the City is divided into various departments including police, fire fighting and prevention, emergency medical services, street maintenance, parks and recreation, public service and planning and zoning. The operation of each of these departments is directly controlled by the City through the budgetary process and therefore is included as a part of the reporting entity.

B. Basis of Presentation - Fund Accounting

The City's financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Statement of Net Assets presents the financial condition of the governmental activities of the City at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund.

Capital Improvement Fund - The Capital Improvement Fund accounts for various road construction and improvement projects within the City.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) grants and other resources whose use is restricted to a particular purpose.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The City's agency fund includes activity for COBRA extended benefits, electrical inspector fees, inspection deposits, plumbing permits, acreage fees and Christmas tree lot bonds.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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 financial statements for governmental funds.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. 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 specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, charges for services and grants.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. For all funds, Council appropriations are made at the fund, department and object level. This is known as the legal level of budgetary control.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget - A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted; however, only governmental funds are required to be reported.

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 Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will 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 unencumbered cash balances at December 31 of the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2010.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the legal level of budgetary control. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the final appropriation amounts, including all amendments and modifications legally enacted.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "equity in pooled cash and investments".

During 2010, investments were limited to federal agency securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City has invested funds in STAR Ohio during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2010.

At year end, the City had monies on deposit with the Franklin County Treasurer. This deposit relates to undistributed permissive taxes and has been reported on the financial statements as "cash with fiscal and escrow agent".

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. During 2010, interest revenue credited to the General Fund amounted to \$82,487 which includes \$38,719 assigned from other City funds.

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City's investment account at year end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide and fund financial statements, inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for all capital assets. The City's infrastructure consists of streets and curbs, traffic signals/lights and water/sewer improvements. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 - 50 years
Buildings and improvements	20 - 50 years
Equipment	5 - 30 years
Vehicles	3 - 10 years
Infrastructure	25 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave, sick leave and compensatory time to the extent that payment to the employee for these absences is attributable to services already rendered and is not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation and compensatory benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation leave, compensatory time and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, bonds, capital leases and lease purchase agreements are recognized as a liability on the government-wide financial statements. Compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds". These amounts are eliminated in the governmental column of the Statement of Net Assets.

N. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

O. Fund Balance Reserves and Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds. Designated fund balances represent amounts which the Legislative body, under Ohio Revised Code 5705.13, has approved for an insurance contingency.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments, and materials and supplies inventory in the governmental fund financial statements.

P. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

R. Unamortized Issuance Costs/Bond Premium and Accounting Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 12.

S. Rental Income

On April 1, 2001, the City entered into a lease agreement with Four Seasons Golf Center, LLC for the lease of a City-owned golf facility. The lease is for a one-hundred twenty month term and calls for regularly scheduled rent payments plus additional rent payments as defined by the agreement. The City recognized \$79,585 in receipts related to this lease in 2010. Activity related to this lease has been included as a component of "rental income" in the financial statements.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2010, no such events took place for the City.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation GASB Statement No. 51 did not have an effect on the financial statements of the City.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

The following funds had deficit fund balances as of December 31, 2010:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
FEMA pre-disaster mitigation	\$ 41,636
SWACO grant	1,529
DOD armory	7,537
2006 SWACO grant	120
2007 SWACO grant	190
Wireless 911 grant	272
Stimulus JAG grant	57,597
Safe route to school grant	2,062
2009 JAG traffic enforcement grant	3,065
ODNR 2009 nature works	50,713
2010 Project lifesaver	119
2009 Bulletproof vest partnership	12,405
Tax increment program	54,288

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with State law, which does not permit a cash basis deficit at year end. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. Deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State Statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits are provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal and Escrow Agent

At year-end, the City had \$57,504 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2010. This amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$6,848,406. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$7,036,233 of the City's bank balance of \$7,573,381 was exposed to custodial risk as discussed below, while \$537,148 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2010, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLMC	\$ 502,320	\$ -	\$ -	\$ 502,320	\$ -	\$ -
FHLB	2,983,270	-	-	-	-	2,983,270
FNMA	1,003,725	-	-	-	-	1,003,725
STAR Ohio	112,304	112,304	-	-	-	-
Total	<u>\$ 4,601,619</u>	<u>\$ 112,304</u>	<u>\$ -</u>	<u>\$ 502,320</u>	<u>\$ -</u>	<u>\$ 3,986,995</u>

The weighted average maturity of investments is 3.52 years.

Interest Rate Risk: The City's investment policy states that the City will minimize interest rate risk by investing operating funds primarily in shorter-term securities and by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. With certain limitations, the City's investment policy states that the maximum maturity period for securities bearing interest at a fixed rate should be no greater than five years.

In addition, eligible investments bearing interest rates at a variable rate must have a maturity no greater than two years. The Ohio Revised Code requires repurchase agreements to not exceed 30 days and the market value of securities for repurchase agreements must exceed the principal value by an amount greater than or equal to two percent.

Credit Risk: The Federal Home Loan Mortgage Notes, Federal Home Loan Bank Bonds and Federal National Mortgage Association Bonds were rated AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy limits investments to those authorized by State statute.

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 investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

Concentration of Credit Risk: The City's investment policy provides for diversification by security type and institution. With the exception of direct obligations of the U.S. Treasury and STAR Ohio, no more than 49 percent of the City's total investment portfolio is to be invested in a single security type or with a single financial institution.

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 502,320	10.92
FHLB	2,983,270	64.83
FNMA	1,003,725	21.81
STAR Ohio	<u>112,304</u>	<u>2.44</u>
Total	<u>\$ 4,601,619</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,848,406
Investments	4,601,619
Cash with fiscal and escrow agent	<u>57,504</u>
Total	<u>\$ 11,507,529</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 11,057,988
Agency funds	<u>449,541</u>
Total	<u>\$ 11,507,529</u>

NOTE 5 - INTERFUNDS

A. Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported in the fund financial statements:

	<u>Amount</u>
Transfers to General fund from:	
Nonmajor governmental fund	\$ 600
Transfers to Capital Improvements fund from:	
General fund	1,279,523
Transfers to nonmajor governmental funds from:	
General fund	<u>1,158,035</u>
Total transfers	<u>\$2,438,158</u>

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - INTERFUNDS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. The transfer of \$600 to the general fund is to transfer unclaimed monies.

- B. Due from/to other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 1,832

The balance resulted from the time lag between the dates in which payments between the funds are made.

- C. Interfund loans consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 672,977
Nonmajor governmental funds	Nonmajor governmental funds	<u>117,000</u>
Total		<u>\$ 789,977</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
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NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Whitehall. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010 was \$1.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential	\$ 158,807,580
Commercial/Industrial	103,912,320
<u>Public Utility</u>	
Real	125,010
Personal	<u>9,769,600</u>
Total Assessed Value	<u>\$ 272,614,510</u>

NOTE 7 - LOCAL INCOME TAX

The City levies a municipal income tax of 2.0% on all salaries, wages, commissions and other compensation; on net profits earned within the City; and on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% for any income tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 7 - LOCAL INCOME TAX - (Continued)

Income tax revenue has been reported as revenue in the General Fund to the extent that it was measurable and available to finance current operations at December 31. Income tax revenue for 2010 was \$16,814,950 in the general fund.

NOTE 8 - TAX INCREMENT FINANCING DISTRICTS (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established five TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOT)", as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$449,492 in 2010 as reported in the fund financial statements. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2010.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Income taxes	\$ 1,601,530
Property and other taxes	480,722
Payment in lieu of taxes	524,764
Accounts	292,056
Special assessments	222,622
Accrued interest	15,133
Due from other governments	<u>988,131</u>
Total	<u>\$ 4,124,958</u>

Receivables have been disaggregated on the face of the financial statements. The only receivable not expected to be collected within the subsequent year is the special assessments which are collected over the life of the assessment.

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,936,482	\$ -	\$ -	\$ 1,936,482
Construction in progress	<u>48,317</u>	<u>231,989</u>	<u>(48,317)</u>	<u>231,989</u>
Total capital assets, not being depreciated	<u>1,984,799</u>	<u>231,989</u>	<u>(48,317)</u>	<u>2,168,471</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	555,859	-	-	555,859
Buildings and improvements	8,959,329	-	-	8,959,329
Equipment	2,293,076	74,863	(5,990)	2,361,949
Vehicles	2,736,805	137,192	(100,298)	2,773,699
Infrastructure	<u>22,747,155</u>	<u>3,012,186</u>	<u>-</u>	<u>25,759,341</u>
Total capital assets, being depreciated	<u>37,292,224</u>	<u>3,224,241</u>	<u>(106,288)</u>	<u>40,410,177</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(328,732)	(7,919)	-	(336,651)
Buildings and improvements	(4,124,502)	(180,748)	-	(4,305,250)
Equipment	(1,389,886)	(160,062)	5,690	(1,544,258)
Vehicles	(1,597,962)	(363,089)	100,298	(1,860,753)
Infrastructure	<u>(10,595,160)</u>	<u>(885,328)</u>	<u>-</u>	<u>(11,480,488)</u>
Total accumulated depreciation	<u>(18,036,242)</u>	<u>(1,597,146)</u>	<u>105,988</u>	<u>(19,527,400)</u>
Total capital assets, being depreciated, net	<u>19,255,982</u>	<u>1,627,095</u>	<u>(300)</u>	<u>20,882,777</u>
Governmental activities capital assets, net	<u>\$21,240,781</u>	<u>\$ 1,859,084</u>	<u>\$ (48,617)</u>	<u>\$23,051,248</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 54,023
Security of persons and property	456,539
Transportation	1,003,701
Community environment	584
Leisure time activity	<u>82,299</u>
Total depreciation expense - governmental activities	<u>\$ 1,597,146</u>

NOTE 11 - LESSEE DISCLOSURE

A. Capital Leases

During 2010, the City entered into capital lease agreements for the acquisition of copier equipment.

The terms of the lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board (FASB) Statement No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets consisting of equipment have been capitalized in the amount of \$41,328. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$4,132, leaving a current book value of \$37,196. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in the 2010 totaled \$5,949 and \$2,362, respectively, paid by the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease obligations and the present value of the minimum lease payments as of December 31, 2010:

<u>Year Ending December 31,</u>	<u>Equipment</u>
2011	\$ 10,056
2012	10,056
2013	10,056
2014	10,056
2015	<u>2,514</u>
Total minimum lease payments	42,738
Less: amount representing interest	<u>(6,609)</u>
Present value of future minimum lease payments	<u>\$ 36,129</u>

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
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NOTE 11 - LESSEE DISCLOSURE - (Continued)

B. Lease-Purchase Agreement

During 2007, the City entered into a lease-purchase agreement for the acquisition of a street sweeper.

The terms of the lease-purchase agreement provide an option to purchase the vehicle. This lease meets the criteria of a lease-purchase as defined by Financial Accounting Standards Board (FASB) Statement No. 13 "Accounting for Leases" which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets consisting of a vehicle have been capitalized in the amount of \$158,156. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$31,632, leaving a current book value of \$126,524. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in 2010 totaled \$25,596 and \$5,813, respectively, which was paid by the Street Maintenance Fund and the Fleet Reserve and Maintenance Fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of December 31, 2010:

<u>Year Ending December 31,</u>	<u>Vehicle</u>
2011	\$ 31,409
2012	31,409
2013	<u>31,409</u>
Total minimum lease payments	94,227
Less: amount representing interest	<u>(9,092)</u>
Present value of future minimum lease payments	<u>\$ 85,135</u>

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - LONG -TERM OBLIGATIONS

A. During 2010, the following activity occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	<u>Balance</u> 12/31/09	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/10	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds</u>					
1995 Waterline replacement	\$ 185,000	\$ -	\$ (185,000)	\$ -	\$ -
2007 Various purpose refunding	<u>1,620,000</u>	<u>-</u>	<u>(180,000)</u>	<u>1,440,000</u>	<u>185,000</u>
Total general obligation bonds	<u>1,805,000</u>	<u>-</u>	<u>(365,000)</u>	<u>1,440,000</u>	<u>185,000</u>
OPWC loan	-	104,494	(2,090)	102,404	4,180
Capital lease obligations	750	41,328	(5,949)	36,129	7,434
Lease-purchase agreement	110,731	-	(25,596)	85,135	26,939
Compensated absences	<u>1,719,875</u>	<u>1,111,520</u>	<u>(956,380)</u>	<u>1,875,015</u>	<u>945,292</u>
Total	<u>\$ 3,636,356</u>	<u>\$ 1,257,342</u>	<u>\$ (1,355,015)</u>	3,538,683	<u>\$ 1,168,845</u>
				Add: unamortized premium on bond issue	5,126
				Less: unamortized deferred charges on refunding	<u>(39,605)</u>
				Total on statement of net assets	<u>\$ 3,504,204</u>

Compensated absences are paid primarily from the General Fund and the Street Maintenance and Repair Fund (a nonmajor governmental fund).

On July 11, 1995, the City issued a general obligation bond for \$2,005,000 in order to fund waterline replacements. The bond has a variable interest rate of 3.9% - 5.65%, with an average rate of 5.278%. This bond matured on December 1, 2010. Principal and interest payments were made out of the Debt Service Fund (a nonmajor governmental fund).

On February 20, 2007, the City issued general obligation refunding bonds (2007 various purpose refunding bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds have an annual interest rate of 4.00% and are scheduled to mature on December 1, 2017. Principal and interest payments are made out of the Debt Service Fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$61,763. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - LONG -TERM OBLIGATIONS - (Continued)

- B.** The following is a summary of the City's future annual debt service requirements to maturity for the general obligation bonds payable:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 185,000	\$ 57,200	\$ 242,200
2012	195,000	49,800	244,800
2013	205,000	42,000	247,000
2014	215,000	33,800	248,800
2015	225,000	25,200	250,200
2016 - 2017	<u>415,000</u>	<u>13,200</u>	<u>428,200</u>
Total	<u>\$ 1,440,000</u>	<u>\$ 221,200</u>	<u>\$ 1,661,200</u>

- C.** OPWC Loan – An Ohio Public Works Commission Loan (OPWC) was issued during 2010 for the Mayflower Boulevard reconstruction. The loan is interest free and principal payments are made from the Debt Service Fund.

The following is a summary of the City's future debt service principal and interest requirements for the OPWC loan:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 4,180	\$ -	\$ 4,180
2012	4,180	-	4,180
2013	4,180	-	4,180
2014	4,180	-	4,180
2015	4,180	-	4,180
2016 - 2020	20,900	-	20,900
2021 - 2025	20,900	-	20,900
2026 - 2030	20,899	-	20,899
2031 - 2035	<u>18,805</u>	<u>-</u>	<u>18,805</u>
Total	<u>\$ 102,404</u>	<u>\$ -</u>	<u>\$ 102,404</u>

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - LONG -TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's total debt margin was \$26,158,716 and the unvoted debt margin was \$14,456,470.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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. During 2010, the City was insured through Acordia for all property, general liability, auto, public official liability, errors and omissions and law enforcement liability. Real property contents are 90% coinsured.

The City has transferred its risk of loss to the insurance carrier to the extent of the limits shown below:

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	\$12,022,552	\$ 5,000
General liability		
Per occurrence	1,000,000	0
Aggregate	2,000,000	0
Vehicles		
Comprehensive/Collision	1,000,000	1,000
Inland Marine	300,400	1,000
Law enforcement	1,000,000	10,000
Public management	1,000,000	10,000
Employment practices	2,000,000	25,000

B. Health Insurance

During a prior period, the City established a Risk Management program (within its General Fund) to account for and finance its uninsured risks of loss. Under this program, the City provides coverage for up to a maximum of \$70,000 per person per year, to a group claims maximum of \$2,045,464 for 2010. The City purchases commercial insurance for claims in excess of coverage provided by the Plan and for all other risks of loss.

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NOTE 13 - RISK MANAGEMENT - (Continued)

All funds of the City participate in the program. Payments are based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$958,518 at December 31, 2010 and is reported as a designation of fund balance in the General Fund. The claims liability reported in the General Fund at December 31, 2010 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported at the estimated ultimate cost of settling the claims 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 changes in claims liability during the years ended December 31, 2010 and 2009 are as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2010	\$ 230,546	\$ 1,885,107	\$ (1,961,818)	\$ 153,835
2009	219,167	2,239,858	(2,228,479)	230,546

The entire claims liability of \$153,835 will be liquidated using expendable available resources and, therefore, is reported as a liability of the General Fund.

C. Workers' Compensation

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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NOTE 14 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$535,476, \$420,567, and \$336,063, respectively; 91.94% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$140 made by the City and \$100 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$636,506 and \$687,854 for the year ended December 31, 2010, \$616,959 and \$658,483 for the year ended December 31, 2009, and \$580,307, \$644,390 the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 76.17% been contributed for police and 75.84% has been contributed for firefighters for 2010.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code 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 Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$305,272, \$300,876, and \$336,063, respectively; 91.94% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare 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-employment health care coverage to 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 Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an Internal Revenue 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the 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.

**CITY OF WHITEHALL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$336,974 and \$269,160 for the year ended December 31, 2010, \$326,625 and \$257,667 for the year ended December 31, 2009, and \$307,222 and \$252,152, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 76.17% has been contributed for police and 75.84% has been contributed for firefighters for 2010.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the General Fund.

	<u>General</u>
Budget basis	\$(1,834,422)
Net adjustment for revenue accruals	(12,769)
Net adjustment for expenditure accruals	260,537
Net adjustment for other sources/(uses)	541,447
Adjustment for encumbrances	425,124
GAAP basis	\$ (620,083)

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

B. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

The City is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 74 representative appointed by member governments who make up the Commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south central Ohio and a regional planning agency whose membership includes 42 political subdivisions in and around Franklin, Ross, Fayette, Delaware, Pickaway, Madison, Licking, and Fairfield counties, Ohio. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support and facilitate the availability of regional environmental infrastructure program funding to the full advantage of MORPC's members.

NOTE 19 - CONTRACTUAL COMMITMENTS

As of December 31, 2010, the City had the following commitment with respect to contractual obligations:

<u>Contractor</u>	<u>Remaining Commitment</u>
Whitehall Police Department	\$ 391,820