

**CITY OF MT. HEALTHY  
HAMILTON COUNTY, OHIO  
FINANCIAL STATEMENTS  
December 31, 2011**





# Dave Yost • Auditor of State

City Council  
City of Mount Healthy  
7700 Perry Street  
Mount Healthy, Ohio 45231

We have reviewed the *Report of Independent Accountants* of the City of Mount Healthy, Hamilton County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 5, 2012

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**CITY OF MT. HEALTHY  
HAMILTON COUNTY, OHIO**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

To City Council  
City of Mt. Healthy  
Hamilton County, Ohio

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

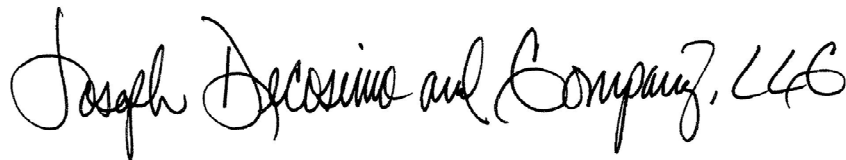
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of December 31, 2011, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Safety Tax Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21, during the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As described in Note 21, the City restated its prior year net assets and fund balances to account for claims payable balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Cincinnati, Ohio  
September 24, 2012

***City of Mt. Healthy, Ohio***  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Unaudited)

Management's Discussion and Analysis (MD&A) of the City of Mt. Healthy's financial performance provides an overview of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

**Financial Highlights**

- The City's total net assets increased \$596,425 from 2010.
- General revenues accounted for \$2,876,349 of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,615,885 of total governmental revenues of \$4,492,234.
- The City had \$3,895,809 in expenses; \$1,615,885 of these expenses were offset by program specific revenues in the form of charges for services and sales, grants and contributions.

**Using This Annual Financial Report**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Mt. Healthy's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

**Reporting the City as a Whole**

One of the most important questions asked about the City is, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



***City of Mt. Healthy, Ohio***  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Unaudited)

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. However, the City's goal is to provide services to its citizens, not to generate profits as commercial entities do.

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

The analysis of the City's major funds begins on page six. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the City Auditor, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The major funds for the City of Mt. Healthy are the General Fund, the Safety Tax Special Revenue Fund, and the Capital Improvement Capital Projects Fund.

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

*Fiduciary Funds* – The City's fiduciary funds consist of three agency funds. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**City of Mt. Healthy, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Unaudited)

**The City as a Whole**

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2011.

**Table 1**  
**Net Assets**

	Governmental Activities		
	2010	2011	Change
<b>Assets</b>			
Current and Other Assets	\$2,583,338	\$2,432,823	(\$150,515)
Nondepreciable Capital Assets	385,427	648,330	262,903
Depreciable Capital Assets, Net	3,053,074	3,434,537	381,463
Total Assets	<u>\$6,021,839</u>	<u>\$6,515,690</u>	<u>\$493,851</u>
<b>Liabilities</b>			
Current and Other Liabilities	\$1,315,538	\$1,256,426	(\$59,112)
Long-Term Liabilities:			
Due Within One Year	166,845	109,823	(57,022)
Due in More Than One Year	1,867,268	1,880,828	13,560
Total Liabilities	<u>3,349,651</u>	<u>3,247,077</u>	<u>(102,574)</u>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	1,592,706	2,256,749	664,043
Restricted	690,069	308,217	(381,852)
Unrestricted	389,413	703,647	314,234
Total Net Assets	<u>\$2,672,188</u>	<u>\$3,268,613</u>	<u>\$596,425</u>

Nondepreciable Capital Assets and Depreciable Capital Assets, Net increased \$262,903 and \$381,463, respectively. These increases were primarily the result of the City buying land and buildings and completing various road resurfacing projects during the current year. In 2011, the City had acquired land and buildings that it intended to renovate and sell. However, the City was not able to complete the project in 2011. Therefore, the sale of the property and buildings will occur in 2012.

Total Liabilities decreased \$102,574. Current and Other Liabilities experienced a significant decrease of \$59,112 due to the City having fewer outstanding contracts payable at year-end. Long-Term Liabilities decreased \$43,462 as a result of the City making annual principal payments and refunding various debt issues.

**City of Mt. Healthy, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Unaudited)

Total Net Assets increased \$596,425. Invested in Capital Assets, Net of Related Debt increased \$664,043 due primarily to current year capital assets additions and principal payments made on debt related to capital assets exceeding deletions and current year depreciation on capital assets.

Restricted Net Assets decreased \$381,852 as a result of the City's purchase of capital assets during the year.

Unrestricted Net Assets increased \$314,234 as a result of the City's unrestricted resources not having to cover the operations of its restricted programs to the extent that they had in the past.

Table 2 shows the changes in net assets for the year ended December 31, 2010 compared to 2011.

**Table 2**  
**Change in Net Assets**

	Governmental Activities		
	2010	2011	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$798,923	\$909,685	\$110,762
Operating Grants and Contributions	361,091	357,425	(3,666)
Capital Grants and Contributions	958,568	348,775	(609,793)
Total Program Revenues	<u>2,118,582</u>	<u>1,615,885</u>	<u>(502,697)</u>
General Revenues			
Property Taxes	842,799	849,396	6,597
Income Taxes	1,390,974	1,458,130	67,156
Other Local Taxes	64,220	74,182	9,962
Grants and Entitlements			
not Restricted for Specific Purposes	219,977	308,524	88,547
Unrestricted Interest	1,004	853	(151)
Other	92,856	185,264	92,408
Total General Revenues	<u>2,611,830</u>	<u>2,876,349</u>	<u>264,519</u>
Total Revenues	<u>4,730,412</u>	<u>4,492,234</u>	<u>(238,178)</u>
<b>Program Expenses</b>			
General Government	661,710	621,843	(39,867)
Security of Persons and Property	2,046,978	1,766,095	(280,883)
Public Works	476,773	472,406	(4,367)
Leisure Time Activities	200,844	204,999	4,155
Community Environment	1,376,984	116,668	(1,260,316)
Transportation	530,944	623,844	92,900
Interest and Fiscal Charges	91,476	89,954	(1,522)
Total Expenses	<u>5,385,709</u>	<u>3,895,809</u>	<u>(1,489,900)</u>
Change in Net Assets	(655,297)	596,425	1,251,722
Net Assets at Beginning of Year	<u>3,327,485</u>	<u>2,672,188</u>	<u>(655,297)</u>
Net Assets at End of Year	<u>\$2,672,188</u>	<u>\$3,268,613</u>	<u>\$596,425</u>

***City of Mt. Healthy, Ohio***  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Unaudited)

*Governmental Activities*

Charges for Services and Sales increased \$110,762 primarily due to the increased revenues from ambulance services provided to citizens and building permits obtained within the City. Capital Grants and Contributions decreased \$609,793 as the result of the City receiving monies from the County for the purchase of uncapitalized assets in 2010 with no such transaction occurring in 2011.

Community Environment decreased \$1,260,316 due primarily to an increase in community improvement projects that the City implemented during 2010. Such type of projects did not occur in 2011.

The 1.5 percent income tax is the largest source of revenue for the General Fund and the City of Mt. Healthy. Employers within the City are required to withhold income tax on employee 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.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council.

**The City's Funds**

Information about the City's major governmental funds begins on page 10. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,455,589 and expenditures of \$4,755,114. The General Fund's balance increased \$146,973 as a result of the City transferring fewer monies to other funds than it had during the previous year.

The Safety Tax Fund's balance decreased \$7,580 due to a general increase in expenditures related to operating the fire department.

The Capital Improvement Fund's balance decreased \$23,860 due primarily to the City spending in excess of revenues received in the current year.

*General Fund Budgeting Highlights*

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts and disbursements. The City's budget is adopted at the object level (personal services and other expenditures) within each department and fund by City Council in the form of an appropriations resolution.

Original General Fund budgeted revenues were \$2,981,065. The final budgeted amount was \$3,072,914, which is an insignificant increase. Actual revenues were \$3,063,230 at year-end, which is an insignificant decrease of \$9,684 compared to final budgeted revenues.

***City of Mt. Healthy, Ohio***  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Unaudited)

Original General Fund appropriations were \$2,678,252 and final appropriations were \$2,793,601 for an increase of \$115,349. This increase was done to ensure that the City's budget was in line with rising expenditures throughout the year. The City's actual expenditures were \$2,690,805 at year-end, which is a decrease of \$102,796 from final budgeted expenditures due to the City closely monitoring the budget during the year.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2011, the City had \$4,082,867 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$644,366 from the prior year. The increase in capital assets is primarily due to the acquisition of land and infrastructure projects completed during the year.

See Note 9 of the notes to the basic financial statements for more detailed information on capital assets.

*Debt*

At December 31, 2011, the City had \$1,728,144 in general obligation bonds and \$100,070 in loans outstanding. The City's long-term obligations also included compensated absences of \$111,087, capital leases of \$6,399, and police pension liability of \$44,951.

The City's overall 10.5 percent legal debt margin was \$7,666,270 as of December 31, 2011. The more restrictive unvoted legal debt margin was \$3,132,876 as of the same date.

See Note 16 of the notes to the basic financial statements for more detailed information.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jill Claire, Auditor, City of Mt. Healthy, 7700 Perry Street, Mt. Healthy, Ohio 45231.

**City of Mt. Healthy, Ohio**

Statement of Net Assets

December 31, 2011

	Primary Government <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> Mt. Healthy Community Improvement Corporation
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$492,521	\$53,130
Accounts Receivable	42,947	0
Income Taxes Receivable	475,424	0
Intergovernmental Receivable	369,903	0
Other Local Taxes Receivable	17,327	0
Property Taxes Receivable	992,415	0
Deferred Charges	42,286	0
Nondepreciable Capital Assets	648,330	0
Depreciable Capital Assets, Net	<u>3,434,537</u>	<u>0</u>
 Total Assets	 <u>6,515,690</u>	 <u>53,130</u>
<b>Liabilities</b>		
Accounts Payable	73,395	0
Accrued Wages and Benefits Payable	26,845	0
Compensatory Time Payable	1,449	0
Intergovernmental Payable	72,140	0
Contracts Payable	33,791	0
Accrued Interest Payable	6,893	0
Claims Payable	120,393	0
Deferred Revenue	921,520	0
Long-Term Liabilities:		
Due Within One Year	109,823	0
Due in More Than One Year	<u>1,880,828</u>	<u>0</u>
 Total Liabilities	 <u>3,247,077</u>	 <u>0</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	2,256,749	0
Restricted for:		
Capital Outlay	163,355	0
Transportation	111,721	0
Security of Persons and Property	31,784	0
Leisure Time Activities	387	0
Other Purposes	970	0
Unrestricted	<u>703,647</u>	<u>53,130</u>
 Total Net Assets	 <u>\$3,268,613</u>	 <u>\$53,130</u>

See accompanying notes to the basic financial statements

**City of Mt. Healthy, Ohio**  
**Statement of Activities**  
For the Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Mt. Healthy Community Improvement Corporation
<b>Governmental Activities</b>						
General Government	\$621,843	\$196,474	\$0	\$0	(\$425,369)	\$0
Security of Persons and Property	1,766,095	232,140	58,460	0	(1,475,495)	0
Public Works	472,406	366,733	0	0	(105,673)	0
Leisure Time Activities	204,999	35,983	0	0	(169,016)	0
Community Environment	116,668	78,355	6,453	0	(31,860)	0
Transportation	623,844	0	292,512	348,775	17,443	0
Interest and Fiscal Charges	89,954	0	0	0	(89,954)	0
<b>Total Governmental Activities</b>	<u>\$3,895,809</u>	<u>\$909,685</u>	<u>\$357,425</u>	<u>\$348,775</u>	<u>(2,279,924)</u>	<u>0</u>
<b>Component Unit</b>						
Mt. Healthy Community Improvement Corporation	<u>\$0</u>	<u>\$9</u>	<u>\$0</u>	<u>\$0</u>		<u>9</u>
General Revenues:						
Taxes:						
Property Taxes Levied for:						
					363,473	0
					106,534	0
					379,389	0
					1,458,130	0
					74,182	0
					308,524	0
					853	44
					185,264	0
<b>Total General Revenues</b>					<u>2,876,349</u>	<u>44</u>
<b>Change in Net Assets</b>					596,425	53
<b>Net Assets at Beginning of Year - as Restated (See Note 21)</b>					<u>2,672,188</u>	<u>53,077</u>
<b>Net Assets at End of Year</b>					<u>\$3,268,613</u>	<u>\$53,130</u>

See accompanying notes to the basic financial statements

**City of Mt. Healthy, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2011**

	General	Safety Tax	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$322,098	\$8	\$126,749	\$43,666	\$492,521
Intergovernmental Receivable	168,078	20,911	39,690	141,224	369,903
Income Taxes Receivable	475,424	0	0	0	475,424
Property Taxes Receivable	426,473	444,186	121,756	0	992,415
Other Local Taxes Receivable	17,327	0	0	0	17,327
Accounts Receivable	42,947	0	0	0	42,947
<b>Total Assets</b>	<b><u>\$1,452,347</u></b>	<b><u>\$465,105</u></b>	<b><u>\$288,195</u></b>	<b><u>\$184,890</u></b>	<b><u>\$2,390,537</u></b>
<b>Liabilities</b>					
Accounts Payable	\$41,996	\$14,194	\$12,064	\$5,141	\$73,395
Accrued Wages and Benefits Payable	17,735	6,031	0	3,079	26,845
Contracts Payable	0	0	33,791	0	33,791
Intergovernmental Payable	48,943	10,507	0	12,690	72,140
Claims Payable	120,393	0	0	0	120,393
Deferred Revenue	965,547	465,097	148,057	116,114	1,694,815
<b>Total Liabilities</b>	<b><u>1,194,614</u></b>	<b><u>495,829</u></b>	<b><u>193,912</u></b>	<b><u>137,024</u></b>	<b><u>2,021,379</u></b>
<b>Fund Balances</b>					
Restricted	0	0	94,283	33,770	128,053
Committed	0	0	0	7,308	7,308
Assigned	843	0	0	6,788	7,631
Unassigned	256,890	(30,724)	0	0	226,166
<b>Total Fund Balances</b>	<b><u>257,733</u></b>	<b><u>(30,724)</u></b>	<b><u>94,283</u></b>	<b><u>47,866</u></b>	<b><u>369,158</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$1,452,347</u></b>	<b><u>\$465,105</u></b>	<b><u>\$288,195</u></b>	<b><u>\$184,890</u></b>	<b><u>\$2,390,537</u></b>

See accompanying notes to the basic financial statements



**City of Mt. Healthy, Ohio**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2011

Total Governmental Fund Balances \$369,158

Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and  
 therefore are not reported in the funds. These assets consist of:

Land	648,330	
Infrastructure	2,371,651	
Other Capital Assets	3,849,570	
Accumulated Depreciation	<u>(2,786,684)</u>	
Total Capital Assets		4,082,867

Some of the City's revenues will be collected after year-end,  
 but are not available soon enough to pay for the current period's expenditures  
 and therefore are deferred in the funds.

Delinquent Property Taxes	70,895	
Income Taxes	360,290	
Other Local Taxes	2,547	
Charges for Services	16,239	
Intergovernmental	<u>323,324</u>	
		773,295

Governmental funds report general obligation bond issuance costs as expenditures,  
 whereas these amounts are deferred and amortized in the Statement of Activities. 42,286

Long-term liabilities are not due and payable in the current period and therefore  
 are not reported in the funds. Those liabilities consist of:

Premium on General Obligation Bonds	(43,764)	
Deferred Loss on General Obligation Bonds	70,620	
Capital Leases	(6,399)	
Bonds	(1,755,000)	
Loans	(100,070)	
Police Pension	(44,951)	
Compensated Absences	<u>(111,087)</u>	
Total Liabilities		(1,990,651)

Some items reported in the Statement of Activities do not require the use of current  
 financial resources and therefore are not reported as expenditures in  
 governmental funds. These activities consist of:

Accrued Interest	(6,893)	
Compensatory Time Payable	<u>(1,449)</u>	
		<u>(8,342)</u>

Net Assets of Governmental Activities \$3,268,613

See accompanying notes to the basic financial statements

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**City of Mt. Healthy, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2011**

	General	Safety Tax	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$358,836	\$374,971	\$105,199	\$0	\$839,006
Income Taxes	1,435,368	0	0	15,573	1,450,941
Other Local Taxes	71,635	0	0	0	71,635
Charges for Services	618,597	0	0	0	618,597
Fines, Licenses and Permits	262,774	0	0	11,154	273,928
Intergovernmental	283,621	46,967	313,699	363,323	1,007,610
Interest	853	0	0	0	853
Rent	5,705	0	0	0	5,705
Donations	2,050	0	0	0	2,050
Other	19,482	6,903	130,699	28,180	185,264
<b>Total Revenues</b>	<b>3,058,921</b>	<b>428,841</b>	<b>549,597</b>	<b>418,230</b>	<b>4,455,589</b>
<b>Expenditures</b>					
Current:					
General Government	594,906	0	0	0	594,906
Security of Persons and Property	1,257,495	530,682	0	0	1,788,177
Public Works	472,406	0	0	0	472,406
Leisure Time Activities	158,388	0	0	261	158,649
Community Environment	74,735	0	0	0	74,735
Transportation	0	0	38,382	325,971	364,353
Capital Outlay	90,674	0	535,075	476,260	1,102,009
Debt Service:					
Principal Retirement	7,721	15,239	0	41,000	63,960
Interest and Fiscal Charges	2,244	0	0	90,320	92,564
Issuance Costs	0	0	0	43,355	43,355
<b>Total Expenditures</b>	<b>2,658,569</b>	<b>545,921</b>	<b>573,457</b>	<b>977,167</b>	<b>4,755,114</b>
Excess of Revenues Over (Under) Expenditures	400,352	(117,080)	(23,860)	(558,937)	(299,525)
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	109,500	0	143,879	253,379
Proceeds from Sale of Capital Assets	0	0	0	68,000	68,000
General Obligation Refunding Bonds Issued	0	0	0	1,745,000	1,745,000
Bond Anticipation Notes Issued	0	0	0	761,467	761,467
Premium on General Obligation Refunding Bonds Issued	0	0	0	44,870	44,870
Payment to Refunded Bond Escrow Agent	0	0	0	(979,150)	(979,150)
Transfers Out	(253,379)	0	0	0	(253,379)
Current Refunding	0	0	0	(1,522,934)	(1,522,934)
<b>Total Other Financing Sources (Uses)</b>	<b>(253,379)</b>	<b>109,500</b>	<b>0</b>	<b>261,132</b>	<b>117,253</b>
Net Change in Fund Balances	146,973	(7,580)	(23,860)	(297,805)	(182,272)
Fund Balances (Deficit) at Beginning of Year - as Restated (See Note 21)	110,760	(23,144)	118,143	345,671	551,430
Fund Balances (Deficit) at End of Year	\$257,733	(\$30,724)	\$94,283	\$47,866	\$369,158

See accompanying notes to the basic financial statements

**City of Mt. Healthy, Ohio**  
 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, 2011

Net Change in Fund Balances - Total Governmental Funds (\$182,272)

Amounts reported for governmental activities in the  
 Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds.  
 However, in the Statement of Activities, the cost of those assets is allocated  
 over their estimated useful lives as depreciation expense. In the current  
 period, these amounts are:

Capital Assets Additions	830,532	
Construction in Progress Additions	142,397	
Current Year Depreciation	<u>(219,636)</u>	
		753,293

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 sale.

Proceeds from Sale of Capital Assets	(68,000)	
Loss on Disposal of Capital Assets	<u>(40,927)</u>	
		(108,927)

Because some revenues will not be collected for several months after the City's year-end,  
 they are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	10,390	
Income Taxes	7,189	
Other	2,547	
Charges for Services	11,455	
Intergovernmental	<u>5,064</u>	
		36,645

Note proceeds are reported as other financing sources in governmental funds  
 and thus contribute to the change in fund balances. In the government-wide  
 statements, however, issuing debt increases long-term liabilities in the  
 Statement of Net Assets and does not affect the Statement of Activities.

Proceeds of Notes		(761,467)
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The issuance of long-term debt provides current financial resources to governmental  
 funds, but in the Statement of Net Assets, the debt is reported as a liability.

Premium on General Obligation Refunding Bonds Issued	(44,870)	
General Obligation Refunding Bonds Issued	<u>(1,745,000)</u>	
		(1,789,870)

The difference between the amounts of debt principal refunded and the amounts paid  
 to the escrow agent are reported as other financing uses in the governmental funds,  
 whereas these amounts are deferred and amortized in the Statement of Activities.

74,150

Governmental funds report bond issuance costs as expenditures, whereas these  
 amounts are deferred and amortized in the Statement of Activities. In the current  
 period, these costs are:

Bond Issuance Costs		43,355
		<i>(continued)</i>

See accompanying notes to the basic financial statements

*City of Mt. Healthy, Ohio*  
 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, 2011  
 (continued)

Repayment of long-term debt is an expenditure in the governmental funds,  
 but the repayment reduces long-term liabilities in the Statement of

Net Assets. In the current year, these amounts consist of:

General Obligation Bond Principal Retirement	30,000	
General Obligation Bonds Refunded	921,000	
Notes Refunded	1,522,934	
Loan Principal Retirement	13,810	
Police Pension Liability	1,101	
Capital Leases	3,049	
Total Long-Term Debt Repayment	2,491,894	2,491,894

Amortization of bond issuance costs and bond premiums, as well as accrued interest  
 payable on the bonds are not reported in the funds, but are allocated as an expense  
 over the life of the debt in the Statement of Activities.

Amortization of Deferred Charges	(1,069)	
Amortization of Premium on General Obligation Bonds	1,106	
Amortization of Loss on Refunding	(3,530)	
Accrued Interest	6,103	
	2,610	2,610

Some items reported in the Statement of Activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds. These activities consist of:

Decrease in Compensatory Time Payable	5,835	
Decrease in Compensated Absences	31,179	
Total Additional Expenditures	37,014	37,014

Change in Net Assets of Governmental Activities	\$596,425
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See accompanying notes to the basic financial statements

**City of Mt. Healthy, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**General Fund**  
**For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Property Taxes	\$341,505	\$363,930	\$358,836	(\$5,094)
Income Taxes	1,393,967	1,430,630	1,426,543	(4,087)
Other Local Taxes	63,334	65,000	71,515	6,515
Charges for Services	572,785	587,850	610,372	22,522
Fines, Licenses and Permits	251,388	258,000	263,693	5,693
Intergovernmental	319,684	328,092	304,801	(23,291)
Interest	999	1,025	853	(172)
Rent	5,359	5,500	5,705	205
Donations	1,997	2,050	2,050	0
Other	30,047	30,837	18,862	(11,975)
<b>Total Revenues</b>	<b>2,981,065</b>	<b>3,072,914</b>	<b>3,063,230</b>	<b>(9,684)</b>
<b>Expenditures</b>				
Current:				
General Government	639,543	629,685	604,399	25,286
Security of Persons and Property	1,335,670	1,338,156	1,275,189	62,967
Public Works	466,369	475,092	473,418	1,674
Leisure Time Activities	157,636	159,434	159,109	325
Community Environment	79,034	87,279	74,735	12,544
Capital Outlay	0	95,610	95,610	0
Debt Service:				
Principal Retirement	0	6,101	6,101	0
Interest and Fiscal Charges	0	2,244	2,244	0
<b>Total Expenditures</b>	<b>2,678,252</b>	<b>2,793,601</b>	<b>2,690,805</b>	<b>102,796</b>
<b>Excess of Revenues Over Expenditures</b>	<b>302,813</b>	<b>279,313</b>	<b>372,425</b>	<b>93,112</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	500	0	(500)
Transfers Out	(302,772)	(280,772)	(253,379)	27,393
<b>Total Other Financing Sources (Uses)</b>	<b>(302,772)</b>	<b>(280,272)</b>	<b>(253,379)</b>	<b>26,893</b>
<b>Net Change in Fund Balance</b>	<b>41</b>	<b>(959)</b>	<b>119,046</b>	<b>120,005</b>
<b>Fund Balance at Beginning of Year - Restated</b>	<b>185,566</b>	<b>185,566</b>	<b>185,566</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$185,607</b>	<b>\$184,607</b>	<b>\$304,612</b>	<b>\$120,005</b>

See accompanying notes to the basic financial statements

*City of Mt. Healthy, Ohio*  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Budget Basis)  
Safety Tax Special Revenue Fund  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Property Taxes	\$353,757	\$378,588	\$374,971	(\$3,617)
Intergovernmental	168,200	52,527	46,967	(5,560)
Other	21,387	6,679	6,903	224
<b>Total Revenues</b>	<b>543,344</b>	<b>437,794</b>	<b>428,841</b>	<b>(8,953)</b>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	537,590	530,587	527,350	3,237
Debt Service:				
Principal Retirement	0	13,810	13,810	0
<b>Total Expenditures</b>	<b>537,590</b>	<b>544,397</b>	<b>541,160</b>	<b>3,237</b>
Excess of Revenues Over (Under) Expenditures	5,754	(106,603)	(112,319)	(5,716)
<b>Other Financing Sources</b>				
Transfers In	0	109,500	109,500	0
Net Change in Fund Balance	5,754	2,897	(2,819)	(5,716)
Fund Balance at Beginning of Year	2,827	2,827	2,827	0
Fund Balance at End of Year	<u>\$8,581</u>	<u>\$5,724</u>	<u>\$8</u>	<u>(\$5,716)</u>

See accompanying notes to the basic financial statements

**City of Mt. Healthy, Ohio**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2011

**Assets**

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$9,915
Cash in Segregated Accounts	<u>6,987</u>

Total Assets \$16,902

**Liabilities**

Intergovernmental Payable	\$3,010
Undistributed Monies	<u>13,892</u>

Total Liabilities \$16,902

See accompanying notes to the basic financial statements



*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Mt. Healthy (the “City”) was incorporated in 1817 as a body politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a publicly-elected eight-member Council.

The eight-member Council is elected to two year terms. The Mayor, City Auditor, and Treasurer are elected to four year terms. The Mayor appoints a Safety Service Director who executes the laws and administers the government of the City. The Safety Service Director appoints all of the department managers of the City.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government represents the primary City operations which are directly responsible to the Mayor and Council. The City is divided into departments and financial management and control systems. Services provided include police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, community development, and public health and welfare. A staff provides support (e.g., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures. Water and sewer services are provided by the City of Cincinnati.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes.

The component unit column in the government-wide financial statements identifies the financial data of the City's discretely presented component unit, the Mt. Healthy Community Improvement Corporation (CIC). The CIC is reported separately to emphasize that it is legally separate from the City.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY** (continued)

The CIC was created as a not-for-profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC was established in January, 1990, for the purpose of acquiring and developing real property located in the City of Mt. Healthy to increase the opportunities for employment and strengthen the economic development of the City. The CIC's original cash balances were established from the sale of property that was donated by the City, and the City occasionally provides funding for the purchase of properties to be restored and resold by the CIC. The CIC is governed by a nine member Board of Trustees, six of which are elected or appointed officials of the City. Based on the City's history of providing financial support to the CIC and the City's appointment of a voting majority of the CIC board, the CIC is presented as a component unit of the City. Separately issued financial statements can be obtained from the Mt. Healthy Community Improvement Corporation, 7700 Perry St., Mt. Healthy, Ohio 45231.

The information in Notes 2 through 21 relate to the primary government. Information for the CIC is presented in Note 22.

The Mayor's Court has been included in the City's financial statements as an agency fund. The Mayor is the City official who has fiduciary responsibility for the collection and distribution of the court fees and fines.

The City participates in an organization defined as a jointly governed organization and one which is defined as a joint venture. These organizations are the Center for Local Government and the Joint Economic Development District. These organizations are presented in Note 19 of the Basic Financial Statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

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 reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

**Basis of Presentation**

The City's basic 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.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**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. The statements normally distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities; however, the City has no business-type activities.

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 City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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 each governmental program is self-financing or draws 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.

**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 utilized by the City: governmental and fiduciary.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions 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 purpose 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 is the operating fund of the City and is used to account for and report all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Safety Tax Fund - The Safety Tax Fund is used to account for and report monies received from property taxes levied restricted to support the City's fire department.

Capital Improvement Fund - The Capital Improvement Fund is used to account for and report monies received from property taxes levied restricted to support street improvements and repairs.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

**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. The three types of trust funds are used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The City's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds which are used to account for money held for individuals and organizations. These funds account for the collection and distribution of court fees, the distribution of payroll related taxes and withholdings, and the collection of seized and forfeited monies in criminal cases distributed to parties outside the City as determined by the court.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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 governmental fund financial statements.

**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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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. “Measurable” means the amount of the transaction can be determined and “available” means 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 31 days of year-end.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. 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 non-exchange 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 taxes, weed assessments, and intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), licenses, permits and fees, and grants.

**Deferred Revenues**

Deferred revenues 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, 2011, but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also 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.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Cash and Cash Equivalents**

To improve cash management, all cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" 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 reported on the financial statements as cash equivalents. The City had no investments during the year or at December 31, 2011.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2011 amounted to \$853, which includes \$317 assigned from other City funds.

**Internal Activities**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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.

**Capital Assets**

All of the City's capital assets are classified as general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from expenditures in 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.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of \$5,000. 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 expensed.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Life</u>
Land/Site Improvements	10-25 years
Buildings and Building Improvements	20-30 years
Equipment and Vehicles	3-20 years
Infrastructure	10-60 years

The City's infrastructure consists of streets, curbs and gutters, sidewalks and street lighting. The City reported infrastructure for the first time in 2004 and is only reporting infrastructure additions prospectively.

**Compensated Absences**

Vacation 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. The City records a liability for accumulated, unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

Compensatory time is accumulated by employees at the applicable overtime rate for each hour of overtime worked. The City will record the liability "Compensatory Time Payable" for the balance carried over at year-end. City employees must use their compensatory time balance that has been carried forward within 180 days of earning it.



*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Accrued Liabilities and Long-Term Debt**

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

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, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans, capital leases, and the police pension liability are recognized as liabilities on the governmental fund financial statements when due.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Budgets and Budgetary Accounting**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared by the City are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level (personal services and other expenditures) within each department and fund. Any budgetary modifications at this level may only be made by resolution of Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as final budgeted amounts represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year, including all supplemental appropriations.

**NOTE 3 – ACCOUNTABILITY**

The Safety Tax Special Revenue Fund had a deficit fund balance of \$30,724 for the year ended December 31, 2011. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 – BUDGET TO GAAP RECONCILIATION**

While 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 Balance - Budget and Actual (Budget Basis) is presented for the General Fund and the Safety Tax Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Unrecorded 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 statements.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and the Safety Tax Special Revenue Fund are as follows:

**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 4 – BUDGET TO GAAP RECONCILIATION** (continued)

Net Change in Fund Balance		Safety
	<u>General</u>	<u>Tax</u>
GAAP Basis	\$146,973	(\$7,580)
Revenue Accruals	2,973	0
Expenditure Accruals	(32,236)	4,761
Unrecorded Cash - 2010	18,822	0
Unrecorded Cash - 2011	(17,486)	0
Budget Basis	<u>\$119,046</u>	<u>(\$2,819)</u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

The investment and deposit of City monies are governed by the Ohio Revised Code. 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 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;

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

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;
4. Commercial paper and bankers acceptances if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and
7. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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. Investments may only be made through specified dealers and institutions.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 6 – PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011, was \$11.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Property		
Residential/Agricultural	\$58,376,270	64.38%
Commercial/Industrial/Public Utility	27,622,020	30.47%
Public Utility Personal	4,669,590	5.15%
Total Property Taxes	<u>\$90,667,880</u>	<u>100.00%</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

***City of Mt. Healthy, Ohio***  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 7 – INCOME TAX**

The City levies a municipal income tax of 1.5 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 1.25 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee 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.

In 2011, income tax proceeds were allocated to the General Fund and the Joint Economic Development District Special Revenue Fund.

**NOTE 8 – RECEIVABLES**

Receivables at December 31, 2011, consisted of intergovernmental receivables, arising from grants and entitlements, fines, fees and shared revenues, taxes, and accounts. All receivables, except property and income taxes, are considered fully collectible and will be collected within one year. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Homestead and Rollback	\$42,544
Estate Tax	89,788
Tangible Property Tax Reimbursement	3,162
Undivided Local Government Assistance	8,328
Shared Income	48,889
State Gasoline Excise Tax	61,178
Motor Vehicle License Tax	17,972
Permissive Motor Vehicle License Tax	32,181
Gasoline Cents Per Gallon	29,892
Recycling Reimbursement	2,178
Ohio Public Works Commission Grant	33,791
Total	<u><u>\$369,903</u></u>



**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2011, was as follows:

	<u>Balance at</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2011</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$338,830	\$332,000	(\$22,500)	\$648,330
Construction in Progress	46,597	142,397	(188,994)	0
Total Capital Assets, Not Being Depreciated	<u>385,427</u>	<u>474,397</u>	<u>(211,494)</u>	<u>648,330</u>
Depreciable Capital Assets:				
Land/Site Improvements	476,611	0	0	476,611
Buildings and Building Improvements	1,311,871	115,000	(96,030)	1,330,841
Equipment and Vehicles	1,975,118	67,000	0	2,042,118
Infrastructure	1,866,125	505,526	0	2,371,651
Total Depreciable Capital Assets	<u>5,629,725</u>	<u>687,526</u>	<u>(96,030)</u>	<u>6,221,221</u>
Less Accumulated Depreciation:				
Land/Site Improvements	(190,513)	(24,881)	0	(215,394)
Buildings and Building Improvements	(368,983)	(24,932)	9,603	(384,312)
Equipment and Vehicles	(1,594,132)	(69,139)	0	(1,663,271)
Infrastructure	(423,023)	(100,684)	0	(523,707)
Total Accumulated Depreciation	<u>(2,576,651)</u>	<u>(219,636)*</u>	<u>9,603</u>	<u>(2,786,684)</u>
Depreciable Capital Assets, Net	<u>3,053,074</u>	<u>467,890</u>	<u>(86,427)</u>	<u>3,434,537</u>
Governmental Activities Capital Assets, Net	<u>\$3,438,501</u>	<u>\$942,287</u>	<u>(\$297,921)</u>	<u>\$4,082,867</u>

\* Depreciation expense was charged to governmental programs as follows:

General Government	\$25,983
Security of Persons and Property	14,868
Leisure Time Activities	46,455
Community Environment	1,006
Transportation	131,324
Total Depreciation Expense	<u>\$219,636</u>

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**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 percent 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll. 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 Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 10 – DEFINED BENEFIT PENSION PLANS** (continued)

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$81,226, \$64,359, and \$52,883, respectively. For 2011, 98.35 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$181 made by the City and \$130 made by plan members.

**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 information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$64,848 and \$7,979 for the year ended December 31, 2011, \$104,133 and \$9,483 for the year ended December 31, 2010, and \$67,249 and \$6,474 for the year ended December 31, 2009. For 2011, 73.00 percent for police and 71.10 percent for firefighters have been contributed, with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**NOTE 11 – POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 11 – POST-EMPLOYMENT BENEFITS** (continued)

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care 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 health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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 health care plan.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 11 – POST-EMPLOYMENT BENEFITS** (continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$32,490, \$35,755, and \$34,219, respectively. For 2011, 98.35 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**Ohio Police and Fire Pension Fund**

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

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

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 information and required supplementary information for the plan. That report may be obtained by writing to 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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 11 – POST-EMPLOYMENT BENEFITS** (continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$34,331 and \$3,122 for the year ended December 31, 2011, \$55,129 and \$3,711 for the year ended December 31, 2010, and \$35,602 and \$2,533 for the year ended December 31, 2009. For 2011, 73.00 percent has been contributed for police and 71.10 percent has been contributed for firefighters, with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**NOTE 12 – OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or their estate) will be paid for unused vacation leave.

Full-time employees of the City of Mt. Healthy are credited with 15 days of sick leave per year. There is not a maximum sick leave accumulation amount. Upon retirement with 10 or more years of service with the City, the State or another political subdivision, an employee shall be paid for one-fourth of his/her total sick leave accumulation.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 12 – OTHER EMPLOYEE BENEFITS** (continued)

City employees working in excess of designated work hours are entitled to either overtime pay or compensatory time according to the Fair Labor Standards Act. Employees may elect to receive compensatory time in lieu of overtime pay. Compensatory time must be used within 180 days.

**Insurance Benefits**

The City is self-insured for employee healthcare benefits for all its employees. The City provides life insurance benefits through Reliance Standard. For medical/surgical and life insurance benefits, the City pays 100 percent of the monthly premium for all full-time employees under the family plan and the single plan. The City also pays 70 percent of the monthly premium for spouses and dependents of full-time employees under the family plan for medical/surgical and life insurance benefits. The City provides employee dental insurance through Dental Care Plus. The City pays 100 percent of dental insurance for all full-time employees and their families.

**Deferred Compensation**

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 13 – RISK MANAGEMENT**

**Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with the Hylant Group for building contents, vehicles, general liability, and public official liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

**Employee Health Care Benefits**

The City is self-insured for employee health care benefits for all of its employees. Under the plan, the Risk Management Agency provides coverage for up to a maximum of \$100,000 per person. The plan is offered to local governments Statewide through the Ohio Mid-Eastern Regional Education Service Agency (“OME-RESA”) in Steubenville, Ohio and administered by United Healthcare of Ohio.

**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 13 – RISK MANAGEMENT** (continued)

The City participates in the plan and makes payment to the Risk Management Agency based on actuarial estimates of the amount needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage, medical conversion, and administrative fees and services).

The liability for unpaid claims of \$120,393 reported in the General Fund at December 31, 2011, is based on the requirements of GASB Statements No. 10, “*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*,” as amended by GASB Statement No. 30, “*Risk Management Omnibus*,” which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Estimates were calculated based upon an independent actuarial evaluation of claims payable. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in claims activity for employee health care benefits for the past two years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$0	\$280,856	\$154,325	\$126,531
2011	126,531	163,532	169,670	120,393

**NOTE 14 – TRANSFERS FROM/TO OTHER FUNDS**

Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

		Transfers To		
		Safety Tax Fund	Nonmajor Governmental Funds	Total
Transfers From	General Fund	\$109,500	\$143,879	\$253,379



**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 14 – TRANSFERS FROM/TO OTHER FUNDS** (continued)

Transfers from the General Fund to the Safety Tax Special Revenue Fund were made for operating monies for the Fire Department. Transfers from the General Fund to the Nonmajor Governmental Funds were made for scheduled debt service payments, to cover additional costs for street maintenance and repair, and to cover costs associated with continued capital projects.

**NOTE 15 – LEASES**

In prior years, the City has entered into capitalized leases for copier machines. The leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as functional expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$15,602 for governmental activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Corresponding liabilities were recorded on the Statement of Net Assets for governmental activities. Principal payments in 2011 totaled \$3,049.

The assets acquired through capital leases as of December 31, 2011, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copiers	\$15,602	(\$10,980)	\$4,622

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011:

Year Ending December 31,	Amount
2012	\$3,049
2013	1,564
2014	1,429
2015	357
Present Value of Net Minimum Lease Payments	\$6,399

**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 15 – LEASES** (continued)

The City leases vehicles and equipment under a noncancelable operating lease. Operating lease payments are reported as functional expenditures in governmental funds and on the budgetary statements. Total operating lease payments in 2011 were \$1,200, which were paid from the General Fund.

The following is a schedule of the future minimum lease payments:

	Year Ending December 31,	Amount
	2012	\$1,200
	2013	1,100
Total		\$2,300

**NOTE 16 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations during 2011 were as follows:

	Balance at December 31, 2010	Increase	Decrease	Balance at December 31, 2011	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
2002 Aquatic Facilities Bonds \$1,250,000 2.00% to 5.00%	\$905,000	\$0	\$905,000	\$0	\$0
2006 Park Improvement Bonds \$80,000 3.89%	16,000	0	16,000	0	0
2007 Various Purpose Bonds \$100,000 3.98%	40,000	0	20,000	20,000	20,000
2011 Various Purpose Real Property Acquisition and Refunding Bonds \$1,745,000					
Serial Bonds 2.00%	0	185,000	10,000	175,000	25,000
Term Bonds 5.00%	0	1,560,000	0	1,560,000	0
Premium on Bonds Issued	0	44,870	1,106	43,764	0
Deferred Loss on Refunding	0	(74,150)	(3,530)	(70,620)	0
Total - General Obligation Bonds	\$961,000	\$1,715,720	\$948,576	\$1,728,144	\$45,000

(continued)

**City of Mt. Healthy, Ohio**  
**Notes To The Basic Financial Statements**  
**For The Year Ended December 31, 2011**

**NOTE 16 – LONG-TERM OBLIGATIONS** (continued)

	Balance at December 31, 2010	Increase	Decrease	Balance at December 31, 2011	Amounts Due in One Year
<u>Bond Anticipation Notes:</u>					
2010 Property Acquisition Bond Anticipation Notes \$411,467 3.00%	\$411,467	\$0	\$411,467	\$0	\$0
2010 Property Acquisition Bond Anticipation Notes \$350,000 2.25%	350,000	0	350,000	0	0
2011 Various Purpose Bond Anticipation Notes \$761,467 2.25%	0	761,467	761,467	0	0
<b>Total - Bond Anticipation Notes</b>	<b>761,467</b>	<b>761,467</b>	<b>1,522,934</b>	<b>0</b>	<b>0</b>
<u>Loans:</u>					
2010 Ohio Department of Commerce Loan \$116,800 0.00%	113,880	0	13,810	100,070	11,680
<u>Other Long-Term Obligations:</u>					
Compensated Absences	142,266	55,110	86,289	111,087	48,946
Capital Leases Payable	9,448	0	3,049	6,399	3,049
Police Pension Liability	46,052	0	1,101	44,951	1,148
<b>Total - Other Long-Term Obligations</b>	<b>197,766</b>	<b>55,110</b>	<b>90,439</b>	<b>162,437</b>	<b>53,143</b>
<b>Total - General Long-Term Obligations</b>	<b>\$2,034,113</b>	<b>\$2,532,297</b>	<b>\$2,575,759</b>	<b>\$1,990,651</b>	<b>\$109,823</b>

The Aquatic Facilities Bonds were issued on April 30, 2002 in the amount of \$1,250,000 for a period of 20 years. The bonds were issued at interest rates ranging from 2.0 percent to 5.0 percent, with final maturity on December 1, 2021. The bond issue was used to retire the Aquatic and Community Facility Bond Anticipation Notes. During 2011, the City refunded the remaining balance of these bonds.

On December 20, 2006, the City issued five year Park Improvement General Obligation Bonds for \$80,000. The bonds have an interest rate of 3.89 percent and are due to mature December 1, 2011. The bonds were issued for the purpose of acquiring and constructing various park improvements and related appurtenances within the City. During 2011, the City refunded the remaining balance of these bonds.

On March 2, 2007, the City issued Various Purpose Bonds for \$100,000. The bonds have an interest rate of 3.98 percent and are due to mature March 30, 2012. The bonds were issued for the purpose of acquiring a new truck and computers for the City. The bonds will be repaid from the General Fund and the Street Maintenance and Repair Special Revenue Fund.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 16 – LONG-TERM OBLIGATIONS** (continued)

On June 9, 2011, the City issued \$1,745,000 in general obligation bonds for the purpose of advance refunding the remaining balance on the Aquatic Facilities Bonds. The bonds also provided for a current refunding of the Various Purpose Bond Anticipation Notes. The difference between the amount of the refunding bond issue and the total of the outstanding principal on the debt issue refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding. The refunding resulted in a difference of \$74,150 between the net carrying amount of the old bonded debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized amount of the loss at December 31, 2011, was \$70,620. Total debt service payments increased \$391,580 as a result of the refunding. The City also incurred an economic loss (difference between the present values of the old and new debt service payments) of \$50,927.

At December 31, 2011, \$905,000 of the refunded bonds were outstanding.

The term bonds of the 2011 Various Purpose Real Property Acquisition and Refunding Bonds, issued at \$1,560,000, will mature on December 1, 2031, and are subject to mandatory sinking fund redemption on the mandatory redemption dates and in the principal amounts as follows (with the balances of \$70,000, \$85,000, \$110,000, and \$160,000 to be paid at stated maturities on December 1, 2019, December 1, 2023, December 1, 2027, and December 1, 2031, respectively):

<u>Year</u>	<u>Amount</u>
2016	\$65,000
2017	65,000
2018	65,000
2020	75,000
2021	80,000
2022	80,000
2024	90,000
2025	100,000
2026	105,000
2028	120,000
2029	135,000
2030	155,000
Totals	<u><u>\$1,135,000</u></u>

The 2011 Various Purpose Real Property Acquisition and Refunding Bonds will be retired from the Debt Service Fund.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 16 – LONG-TERM OBLIGATIONS** (continued)

On March 22, 2010, the City issued the Uptown Real Estate Acquisition Bond Anticipation Note in the amount of \$411,467 to refund the Bond Anticipation Note issued March 25, 2009. The note has an interest rate of 3.00 percent. The note was retired on March 21, 2011, and was reissued in conjunction with the Duvall School Land Acquisition Bond Anticipation Note. The note was issued for the purpose of property acquisition and community improvements for the City.

On December 23, 2010, the City issued the Duvall School Land Acquisition Bond Anticipation Note in the amount of \$350,000. The note has an interest rate of 2.25 percent. The note was retired on March 21, 2011, and was reissued in conjunction with the Uptown Real Estate Acquisition Bond Anticipation Note. The note was issued for the purpose of property acquisition.

On March 21, 2011, the City issued a Bond Anticipation Note in the amount of \$761,467, which was a combination of the Uptown Real Estate Acquisition and the Duvall School Land Acquisition Bond Anticipation Notes. The note has an interest rate of 2.25 percent and was refunded with the 2011 Various Purpose Real Property Acquisition and Refunding Bonds on June 9, 2011. The note was issued for the purpose of property acquisition and community improvements for the City.

On June 15, 2010, the City entered into an interest-free loan agreement with the Ohio Department of Commerce in the amount of \$116,800 for the purchase of property. The loan is due to mature on July 1, 2020. The loan will be repaid from the Safety Tax Special Revenue Fund.

Compensated absences will be paid from the General Fund and the Street Construction, Maintenance and Repair and Safety Tax Special Revenue Funds. The capital leases will be repaid from the General Fund.

The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police personnel in 1967. The original liability was \$54,126. The liability is payable semiannually from the General Fund.

As of December 31, 2011, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,666,270, and the unvoted legal debt margin was \$3,132,876.

**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 16 – LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the City's outstanding bond and loan obligations at December 31, 2011, are:

	General Obligation Bonds		Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2012	\$45,000	\$76,598	\$11,680	\$56,680	\$76,598
2013	40,000	75,700	11,680	51,680	75,700
2014	50,000	74,900	11,680	61,680	74,900
2015	60,000	73,900	11,680	71,680	73,900
2016	65,000	72,700	11,680	76,680	72,700
2017-2021	355,000	332,150	41,670	396,670	332,150
2022-2026	460,000	242,250	0	460,000	242,250
2027-2031	680,000	108,750	0	680,000	108,750
Total	<u>\$1,755,000</u>	<u>\$1,056,948</u>	<u>\$100,070</u>	<u>\$1,855,070</u>	<u>\$1,056,948</u>

Principal and interest requirements to retire the City's police pension obligation at December 31, 2011, are:

	Police Pension	
	Principal	Interest
2012	\$1,148	\$1,898
2013	1,197	1,849
2014	1,249	1,798
2015	1,302	1,744
2016	1,358	1,688
2017-2021	7,719	7,513
2022-2026	9,525	5,706
2027-2031	11,754	3,477
2032-2035	9,699	833
Total	<u>\$44,951</u>	<u>\$26,506</u>

**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 17 – SHORT-TERM OBLIGATIONS**

The City had the following short-term obligations outstanding at December 31, 2011:

	Balance at December 31, 2010	Increase	Decrease	Balance at December 31, 2011
<u>Short-Term Loans:</u>				
First Financial Bank Line of Credit	\$57,615	\$0	\$57,615	\$0

On January 19, 2010, the City entered into a banking agreement with First Financial Bank for a line of credit for the purpose of economic development and property rehabilitation. The line of credit had an adjustable interest rate. The line of credit was retired in January 2011.

**NOTE 18 – FUND BALANCES**

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

Fund Balances	General	Safety Tax	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b><i>Restricted For</i></b>					
Security of Persons and Property	\$0	\$0	\$0	\$15,946	\$15,946
Streets and Transportation	0	0	0	16,179	16,179
Recreational Activities	0	0	0	387	387
Recreational Improvements	0	0	0	1,258	1,258
Capital Improvements	0	0	94,283	0	94,283
<b><i>Total Restricted</i></b>	<b>\$0</b>	<b>\$0</b>	<b>\$94,283</b>	<b>\$33,770</b>	<b>\$128,053</b>

(continued)

**City of Mt. Healthy, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 18 – FUND BALANCES** (continued)

Fund Balances	General	Safety Tax	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b><i>Committed To</i></b>					
Economic Development	\$0	\$0	\$0	\$7,308	\$7,308
<b><i>Assigned To</i></b>					
Debt Service	0	0	0	1,213	1,213
Recreational Activities	843	0	0	0	843
Capital Improvements	0	0	0	5,575	5,575
<b><i>Total Assigned</i></b>	<b>843</b>	<b>0</b>	<b>0</b>	<b>6,788</b>	<b>7,631</b>
<b><i>Unassigned (Deficit)</i></b>	<b>256,890</b>	<b>(30,724)</b>	<b>0</b>	<b>0</b>	<b>226,166</b>
<b><i>Total Fund Balances</i></b>	<b>\$257,733</b>	<b>(\$30,724)</b>	<b>\$94,283</b>	<b>\$47,866</b>	<b>\$369,158</b>

**NOTE 19 – JOINTLY GOVERNED ORGANIZATION / JOINT VENTURE**

**Center for Local Government**

The Center for Local Government (the Center) was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Center is governed by a five member board of trustees. Each of the trustees is the chief administrative officer of the entity that they represent. Trustees are volunteer members, ratified by the general members of the Center. The City does not have any financial interest in or responsibility for the Center. The amount the City contributed during 2011 was \$2,000. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio 45236.



*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 19 – JOINTLY GOVERNED ORGANIZATION / JOINT VENTURE** (continued)

**Joint Economic Development District**

The City participates in a joint venture with Springfield Township of Hamilton County, the joint economic development district (the JEDD). The purpose of the JEDD is to facilitate economic development along the Hamilton Avenue Corridor and to create and preserve jobs and employment opportunities in the area of the contracting parties. The Board of Directors of the JEDD consists of five members, including one municipal member, one Township member, one business owner, one worker and one member selected by the other four members. The City Council selects the municipal member and the Township Board of Trustees selects the Township member. The Township Board of Trustees selects the business and the worker members. The Board of Directors of the JEDD levied an income tax for the JEDD territory at the rate of one and one-half percent and entered into a contract with the City to collect and administer the taxes. Seventy-five percent of the income taxes collected will be distributed to the Township and 25 percent will be distributed to the City. The Township shall use a portion of the income taxes it receives from the JEDD to expand public services to the JEDD area. The City will provide transportation network improvements to benefit the JEDD area.

**NOTE 20 – CONTINGENT LIABILITIES**

**Litigation**

The City is not party to any legal proceedings.

**Federal and State Grants**

For the period January 1, 2011, to December 31, 2011, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT**

**Change in Accounting Principle**

The City has implemented Governmental Accounting Standards Board (GASB) Statements No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of these statements is addressed in the tables below.

**Prior Period Adjustment**

Also, for 2011, it was determined that the claims liability failed to be reported at December 31, 2010. The implementation of GASB Statement No. 54 and the correction of an error resulted in the following changes to fund balances and net assets at December 31, 2010, as previously reported:

	<u>General</u>	<u>Taxable Bond Anticipation Notes Projects</u>	<u>Nonmajor Governmental Funds</u>
Fund Balance, December 31, 2010, as Previously Reported	\$236,648	\$350,356	(\$4,042)
Reclassification of Major Funds	0	(350,356)	350,356
Correction of Error for Claims Payable	(126,531)	0	0
Reclassification of Funds (Implementation of GASB 54)	643	0	(643)
Fund Balance, December 31, 2010, as Restated	<u>\$110,760</u>	<u>\$0</u>	<u>\$345,671</u>

	<u>Governmental Activities</u>
Net Assets, December 31, 2010	\$2,798,719
Correction of Error for Claims Payable	(126,531)
Net Assets, December 31, 2010, as Restated	<u>\$2,672,188</u>

*City of Mt. Healthy, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2011

**NOTE 22 – MT. HEALTHY COMMUNITY IMPROVEMENT CORPORATION**

As indicated in Note 1 to the Basic Financial Statements, the following disclosure is made on behalf of the Mt. Healthy Community Improvement Corporation (CIC).

**Basis of Accounting**

The CIC prepares financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues to the CIC consisted primarily of interest income. The CIC had no expenditures for 2011. The CIC had no investments as of December 31, 2011.

**CITY OF MT. HEALTHY  
HAMILTON COUNTY, OHIO**

**REPORT OF INDEPENDENT ACCOUNTANTS  
ON INTERNAL CONTROLS  
AND COMPLIANCE**

**December 31, 2011**

**CITY OF MT. HEALTHY  
HAMILTON COUNTY, OHIO**

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

To City Council  
City of Mt. Healthy  
Hamilton County, Ohio

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 24, 2012, in which it is noted that the City restated its prior year net assets and fund balances to account for claims payable balances. It is also noted that the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

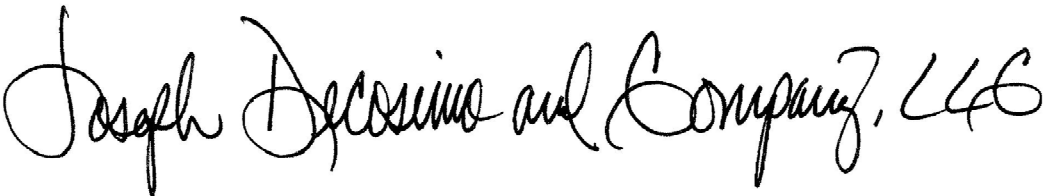
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2011-001, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **COMPLIANCE AND OTHER MATTERS**

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

This report is intended solely for the information and use of management, City Council, others within the entity, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Joseph Decasimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
September 24, 2012

**CITY OF MT. HEALTHY**  
**HAMILTON COUNTY, OHIO**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2011**

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**FINDING NUMBER 2011-001**

**Significant Deficiency - Restatement of Prior Year Net Assets and Fund Balances**

During the course of our audit, it was identified by the City that the net asset balances at December 31, 2010, were incorrectly stated. This error was not originally identified by the City's internal control. Throughout the year, the City maintains its books on the cash basis of accounting and converts its financial statements at year end to generally accepted accounting principles. The restatement was necessary to correct the opening net assets as part of the conversion process. A description of the restatements required are as follows:

**Claims Payable**

Claims payable for the City's self-insured health care benefits were not recorded and recognized properly in the prior year. The net adjustments decreased total net assets and related fund balances by \$126,531.

**Views of Responsible Officials and Planned Corrective Actions**

The City acknowledges the error and is in agreement with the finding and wishes to emphasize that, although the error was not timely identified by the City's internal control processes, it was the City that originally became aware of the error. Additionally, the City has made changes to the processes it uses to convert its cash basis records to the accrual basis for year end reporting and believes such changes will further strengthen the controls over the accrual basis conversion process.



**CITY OF MT. HEALTHY  
HAMILTON COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2011**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
None Reported			

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# Dave Yost • Auditor of State

**CITY OF MOUNT HEALTHY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 18, 2012**