

**MT. HEALTHY CITY SCHOOL DISTRICT**



**Basic Financial Statements**

**June 30, 2011**





# Dave Yost • Auditor of State

Board of Education  
Mt. Healthy City School District  
7615 Harrison Avenue  
Cincinnati, OH 45231

We have reviewed the *Independent Auditors' Report* of the Mt. Healthy City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2010 through June 30, 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 Mt. Healthy City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 10, 2012

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**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Mt. Healthy City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt. Healthy City School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District'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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21 to the financial statements, during the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 and budgetary comparison information 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.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 30, 2011

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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The discussion and analysis of Mt. Healthy City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$1,524,313 which represents a 2% decrease from 2010.
- General revenues accounted for \$32,953,976 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,809,088 or 28% of total revenues of \$45,763,064 .
- The District had \$47,287,377 in expenses related to governmental activities; \$12,809,088 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$32,953,976 were also used to provide for these programs.

**Overview of the Financial Statements**

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

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund, Debt Service Fund and Classroom Facilities Fund are the major funds of the District.

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting 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.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities. The District's programs and services include instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report contains required supplementary information concerning the budget of the General Fund.



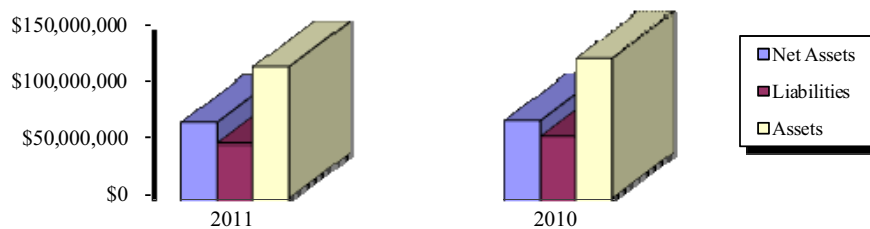
**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**The District as a Whole**

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

**Table 1  
Net Assets**

	Governmental Activities	
	2011	2010
<b>Assets:</b>		
Current and Other Assets	\$22,405,278	\$41,065,014
Capital Assets	93,724,820	82,572,178
<b>Total Assets</b>	<b>116,130,098</b>	<b>123,637,192</b>
<b>Liabilities:</b>		
Other Liabilities	13,489,551	18,711,196
Long-Term Liabilities	35,195,827	35,956,963
<b>Total Liabilities</b>	<b>48,685,378</b>	<b>54,668,159</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	60,434,556	59,516,238
Restricted	4,525,707	8,318,034
Unrestricted	2,484,457	1,134,761
<b>Total Net Assets</b>	<b>\$67,444,720</b>	<b>\$68,969,033</b>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$67,444,720 .

At year-end, capital assets represented 81% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$60,434,556 . These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Mt. Healthy City School District  
Management's Discussion and Analysis  
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(Unaudited)**

A portion of the District's net assets, \$4,525,707 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets decreased mainly due to a decrease in the cash and investment balance, which was mainly due to the completion of the Ohio Schools Facilities Commission school construction projects. Other Liabilities decreased mainly due to a decrease in contracts payable at fiscal year end 2011 due to the aforementioned completion of the Ohio School Facilities Commission School construction projects as compared to fiscal year end 2010. Long-Term Liabilities decreased mainly due to the District continuing to make principal payments on its long term debt obligations.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

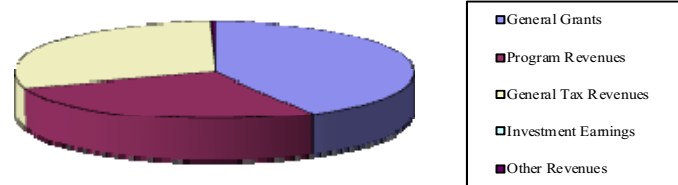
**Table 2  
Changes in Net Assets**

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,380,520	\$1,358,122
Operating Grants, Contributions	11,428,568	10,215,351
General Revenues:		
Property Taxes	13,623,697	14,096,862
Grants and Entitlements	19,120,114	20,009,214
Other	210,165	392,450
Total Revenues	<u>45,763,064</u>	<u>46,071,999</u>
Program Expenses:		
Instruction	24,481,570	23,897,365
Support Services:		
Pupil and Instructional Staff	5,913,759	5,260,667
School Administrative, General		
Administration, Fiscal and Business	3,843,284	4,116,364
Operations and Maintenance	5,274,986	3,958,849
Pupil Transportation	2,640,534	2,336,916
Central	565,519	251,110
Operation of Non-Instructional Services	2,277,897	2,030,752
Extracurricular Activities	843,126	846,323
Interest and Fiscal Charges	1,446,702	1,478,936
Total Program Expenses	<u>47,287,377</u>	<u>44,177,282</u>
Change in Net Assets	(1,524,313)	1,894,717
Net Assets Beginning of Year	<u>68,969,033</u>	<u>67,074,316</u>
Net Assets End of Year	<u>\$67,444,720</u>	<u>\$68,969,033</u>

**Mt. Healthy City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

The District revenues are mainly from two sources. Property taxes levied for general, special revenue and capital project purposes and grants and entitlements comprised 72% of the District’s revenues for governmental activities. The District’s reliance upon tax revenues is demonstrated in the following graph:

<u>Revenue Sources</u>	<u>2011</u>	<u>Percent of Total</u>
General Grants	\$19,120,114	41.78%
Program Revenues	12,809,088	27.99%
General Tax Revenues	13,623,697	29.77%
Investment Earnings	48,950	0.11%
Other Revenues	161,215	0.35%
	<u>\$45,763,064</u>	<u>100.00%</u>



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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 30% of revenue for governmental activities for the District in fiscal year 2011.

Operating Grants and Contributions increased mainly due to an increase in the amount of grant monies received in fiscal year 2011 as compared to fiscal year 2010. Instructional expenses increased mainly due to general inflationary factors.

Instruction comprises 51.8% of governmental program expenses. Support services expenses were 38.6% of governmental program expenses. All other expenses including interest expense were 9.7% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$24,481,570	\$23,897,365	(\$16,524,304)	(\$16,846,628)
Support Services:				
Pupil and Instructional Staff	5,913,759	5,260,667	(4,138,887)	(4,152,464)
School Administrative, General				
Administration, Fiscal and Business	3,843,284	4,116,364	(3,530,656)	(3,788,532)
Operations and Maintenance	5,274,986	3,958,849	(5,171,863)	(3,650,160)
Pupil Transportation	2,640,534	2,336,916	(2,307,909)	(2,112,538)
Central	565,519	251,110	(450,003)	(250,340)
Operation of Non-Instructional Services	2,277,897	2,030,752	(284,216)	381,370
Extracurricular Activities	843,126	846,323	(623,749)	(705,581)
Interest and Fiscal Charges	1,446,702	1,478,936	(1,446,702)	(1,478,936)
Total Expenses	<u>\$47,287,377</u>	<u>\$44,177,282</u>	<u>(\$34,478,289)</u>	<u>(\$32,603,809)</u>

**The District's Funds**

The District has three major governmental funds: the General Fund, the Debt Service Fund and the Classroom Facilities Fund. Assets of these funds comprised \$17,140,427 (77%) of the total \$22,360,974 governmental funds assets.

**General Fund:** Fund balance at June 30, 2011 was \$2,738,074, an increase in fund balance of \$666,604 from 2010. The primary reason for the increase in fund balance was due to a decrease in instructional expenses.

**Debt Service Fund:** Fund balance at June 30, 2011 was \$1,270,702 a decrease in fund balance of \$1,853 from 2010. The fund balance remained relatively consistent in fiscal year 2011 as compared to fiscal year 2010.

**Classroom Facilities Fund:** Fund balance at June 30, 2011 was \$142, a decrease in fund balance of \$10,549,672. The primary reason for the decrease in fund balance was due to the completion of the Ohio School Facilities Commission School construction projects.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the original budget basis revenue was \$36,455,701, compared to final budget estimates of \$34,922,948. The difference between the original budget basis and final budget was \$1,532,753, which was mostly due to decreases in taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$1,315,418.

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$93,724,820 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

**Table 4  
Capital Assets, Net of Depreciation**

	Governmental Activities	
	2011	2010
Land	\$3,684,113	\$2,059,151
Construction in Progress	0	75,042,486
Buildings and Improvements	84,169,839	3,016,127
Equipment	5,870,868	2,454,414
Total Net Capital Assets	<u>\$93,724,820</u>	<u>\$82,572,178</u>

The increase in capital assets is due to the completion of the classroom facilities renovation project.

See Note 7 to the basic financial statements for further details on the District's capital assets.

***Debt***

At June 30, 2011, the District had \$33,290,264 in Loan, Bonds and Capital Leases outstanding and \$757,190 due within one year. Table 5 summarizes outstanding debt at year end.

**Table 5  
Outstanding Debt, at Year End**

	Governmental Activities	
	2011	2010
Energy Conservation Loan	\$35,720	\$104,678
2008 School Improvement Bonds	31,135,000	31,755,000
Premium on 2008 School Improvement Bonds	1,807,170	1,879,457
Capital Leases	312,374	428,783
Total Loan, Bonds, and Capital Leases Payable	<u>\$33,290,264</u>	<u>\$34,167,918</u>

See Note 8 and 9 to the basic financial statements for further details on the District's outstanding debt.

**Mt. Healthy City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

In July, 2009, the Ohio’s Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

On June 30, 2011, Ohio’s Governor signed HB 153, the state biennium budget bill. The Governor has indicated that he will prepare a new school funding model for Ohio school districts for fiscal year 2012-13. At this time, we do not know the details of the changes or the impact that these changes may have on our future state funding. This uncertainty could have an impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be closely monitored.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rebecca Brooks, Treasurer, Mt. Healthy City School District, 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Mt. Healthy City School District  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$4,719,908
Restricted Cash and Investments	1,204,458
Receivables:	
Taxes	14,401,958
Accounts	2,335
Intergovernmental	1,542,444
Deferred Bond Issuance Costs	515,771
Inventory	18,404
Nondepreciable Capital Assets	3,684,113
Depreciable Capital Assets, Net	<u>90,040,707</u>
 Total Assets	 <u>116,130,098</u>
Liabilities:	
Accounts Payable	537,699
Accrued Wages and Benefits	4,646,943
Retainage Payable	255,634
Accrued Interest Payable	118,754
Contracts Payable	321,152
Unearned Revenue	7,609,369
Long-Term Liabilities:	
Due Within One Year	957,378
Due In More Than One Year	<u>34,238,449</u>
 Total Liabilities	 <u>48,685,378</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	60,434,556
Restricted for:	
Debt Service	1,862,847
Capital Projects	1,722,126
Classroom Facilities Maintenance	687,289
Local Grants	41,827
Other Purposes	211,618
Unrestricted	<u>2,484,457</u>
 Total Net Assets	 <u><u>\$67,444,720</u></u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$13,426,822	\$408,389	\$872,616	(\$12,145,817)
Special	5,887,360	319,480	5,603,931	36,051
Vocational	264,142	107	55,719	(208,316)
Other	4,903,246	0	697,024	(4,206,222)
<b>Support Services:</b>				
Pupil	2,534,668	0	65,416	(2,469,252)
Instructional Staff	3,379,091	38,237	1,671,219	(1,669,635)
General Administration	109,226	0	0	(109,226)
School Administration	2,853,229	26,291	251,381	(2,575,557)
Fiscal	816,150	0	26,936	(789,214)
Business	64,679	0	8,020	(56,659)
Operations and Maintenance	5,274,986	96,452	6,671	(5,171,863)
Pupil Transportation	2,640,534	39	332,586	(2,307,909)
Central	565,519	1	115,515	(450,003)
Operation of Non-Instructional Services	2,277,897	280,557	1,713,124	(284,216)
Extracurricular Activities	843,126	210,967	8,410	(623,749)
Interest and Fiscal Charges	1,446,702	0	0	(1,446,702)
<b>Total Governmental Activities</b>	<b>\$47,287,377</b>	<b>\$1,380,520</b>	<b>\$11,428,568</b>	<b>(34,478,289)</b>

<b>General Revenues:</b>	
<b>Property Taxes Levied for:</b>	
General Purposes	11,579,338
Special Revenue Purposes	154,481
Debt Service Purposes	1,889,878
Grants and Entitlements not Restricted to Specific Programs	19,120,114
Unrestricted Contributions	29,119
Investment Earnings	48,950
Other Revenues	132,096
<b>Total General Revenues</b>	<b>32,953,976</b>
<b>Change in Net Assets</b>	<b>(1,524,313)</b>
<b>Net Assets Beginning of Year</b>	<b>68,969,033</b>
<b>Net Assets End of Year</b>	<b>\$67,444,720</b>

See accompanying notes to the basic financial statements.



Mt. Healthy City School District  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$948,955	\$531,702	\$142	\$3,239,109	\$4,719,908
Restricted Cash and Investments	948,824	0	0	255,634	1,204,458
<b>Receivables:</b>					
Taxes	12,229,243	2,007,759	0	164,956	14,401,958
Accounts	2,335	0	0	0	2,335
Intergovernmental	0	0	0	1,542,444	1,542,444
Interfund	471,467	0	0	0	471,467
Inventory	0	0	0	18,404	18,404
<b>Total Assets</b>	<b>14,600,824</b>	<b>2,539,461</b>	<b>142</b>	<b>5,220,547</b>	<b>22,360,974</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	231,023	0	0	306,676	537,699
Accrued Wages and Benefits	3,802,284	0	0	844,659	4,646,943
Compensated Absences	113,200	0	0	0	113,200
Retainage Payable	0	0	0	255,634	255,634
Contracts Payable	0	0	0	321,152	321,152
Interfund Payable	0	0	0	471,467	471,467
Deferred Revenue	7,716,243	1,268,759	0	722,677	9,707,679
<b>Total Liabilities</b>	<b>11,862,750</b>	<b>1,268,759</b>	<b>0</b>	<b>2,922,265</b>	<b>16,053,774</b>
<b>Fund Balances:</b>					
Nonspendable	0	0	0	18,404	18,404
Restricted	779,937	1,270,702	142	2,593,913	4,644,694
Assigned	606,106	0	0	0	606,106
Unassigned	1,352,031	0	0	(314,035)	1,037,996
<b>Total Fund Balances</b>	<b>2,738,074</b>	<b>1,270,702</b>	<b>142</b>	<b>2,298,282</b>	<b>6,307,200</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$14,600,824</b>	<b>\$2,539,461</b>	<b>\$142</b>	<b>\$5,220,547</b>	<b>\$22,360,974</b>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2011

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Total Governmental Fund Balance		\$6,307,200
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.		93,724,820
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,480,589	
Intergovernmental	<u>617,721</u>	
		2,098,310
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(118,754)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,792,363)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		515,771
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(33,290,264)</u>
Net Assets of Governmental Activities		<u><u>\$67,444,720</u></u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$11,497,153	\$1,883,075	\$0	\$153,748	\$13,533,976
Tuition and Fees	818,107	0	0	0	818,107
Investment Earnings	95,443	0	0	(19,992)	75,451
Intergovernmental	22,294,429	271,115	1,664,606	8,283,376	32,513,526
Extracurricular Activities	70,536	0	0	88,578	159,114
Charges for Services	0	0	0	281,750	281,750
Other Revenues	116,398	0	0	166,365	282,763
<b>Total Revenues</b>	<b>34,892,066</b>	<b>2,154,190</b>	<b>1,664,606</b>	<b>8,953,825</b>	<b>47,664,687</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	11,717,392	0	0	758,394	12,475,786
Special	2,953,334	0	0	2,892,160	5,845,494
Vocational	264,028	0	0	5,884	269,912
Other	4,130,870	0	0	769,223	4,900,093
<b>Support Services:</b>					
Pupil	2,306,634	0	0	168,155	2,474,789
Instructional Staff	1,707,077	0	0	1,473,788	3,180,865
General Administration	109,226	0	0	0	109,226
School Administration	2,590,038	0	0	296,164	2,886,202
Fiscal	747,691	30,221	0	58,498	836,410
Business	55,829	0	0	8,850	64,679
Operations and Maintenance	4,282,073	0	0	524,769	4,806,842
Pupil Transportation	2,092,071	0	0	121,203	2,213,274
Central	379,332	0	0	127,460	506,792
Operation of Non-Instructional Services	14,413	0	0	2,118,213	2,132,626
Extracurricular Activities	690,968	0	0	138,631	829,599
Capital Outlay	18,999	0	12,214,278	1,744,627	13,977,904
<b>Debt Service:</b>					
Principal Retirement	152,528	645,614	0	7,225	805,367
Interest and Fiscal Charges	21,115	1,480,208	0	316	1,501,639
<b>Total Expenditures</b>	<b>34,233,618</b>	<b>2,156,043</b>	<b>12,214,278</b>	<b>11,213,560</b>	<b>59,817,499</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>658,448</b>	<b>(1,853)</b>	<b>(10,549,672)</b>	<b>(2,259,735)</b>	<b>(12,152,812)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	8,156	0	0	658,417	666,573
<b>Total Other Financing Sources (Uses)</b>	<b>8,156</b>	<b>0</b>	<b>0</b>	<b>658,417</b>	<b>666,573</b>
<b>Net Change in Fund Balance</b>	<b>666,604</b>	<b>(1,853)</b>	<b>(10,549,672)</b>	<b>(1,601,318)</b>	<b>(11,486,239)</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>2,071,470</b>	<b>1,272,555</b>	<b>10,549,814</b>	<b>3,899,600</b>	<b>17,793,439</b>
<b>Fund Balance End of Year</b>	<b>\$2,738,074</b>	<b>\$1,270,702</b>	<b>\$142</b>	<b>\$2,298,282</b>	<b>\$6,307,200</b>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2011

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Net Change in Fund Balance - Total Governmental Funds (\$11,486,239)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	14,932,479	
Depreciation Expense	<u>(2,735,301)</u>	
		12,197,178

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(1,044,536)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	89,721	
Interest	(26,501)	
Intergovernmental	<u>(1,964,843)</u>	
		(1,901,623)

Repayment of loan, bonds, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

805,367

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due.

3,281

Some expenses 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.

Compensated Absences	(149,397)	
Amortization of Bond Issuance Cost	(20,631)	
Amortization of Bond Premium	<u>72,287</u>	
		<u>(97,741)</u>

Change in Net Assets of Governmental Activities (\$1,524,313)

See accompanying notes to the basic financial statements.

Mt. Healthy City School District  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2011

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$55,285</u>
Total Assets	<u><u>55,285</u></u>
Liabilities:	
Accounts Payable	3,328
Other Liabilities	<u>51,957</u>
Total Liabilities	<u><u>\$55,285</u></u>

See accompanying notes to the basic financial statements.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 1 - Description of the District**

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The Mt. Healthy City School District (the District) was chartered by the Ohio State Legislature in 1832 when state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 176 support staff personnel and approximately 252 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 10th largest in Hamilton County in terms of enrollment. It currently operates 1 preschool center, 5 elementary schools, 1 junior high (grades 7-8), and 1 high school (grades 9-12).

**Reporting Entity**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with three organizations, two of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association, the Great Oaks Institute of Technology Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 14 and 15.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 2 - Summary of Significant Accounting Policies**

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The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

**Measurement Focus**

**Government-wide Financial Statements**

The District'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.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary funds are not included in entity-wide statements.

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

**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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories of governmental and fiduciary.

**Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Classroom Facilities Fund – The classroom facilities fund is used to account for the receipts and expenditures related to construction projects.

**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. Private purpose trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an Agency Fund. The District's Agency Fund accounts for assets and liabilities generated by student managed activities.



**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 3 - Basis of Accounting**

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Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the actual and the 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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 the governmental funds.

**Equity In Pooled Cash And Investments**

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2011. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2A7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue in the General Fund during fiscal year 2011 amounted to \$95,443 and (\$19,992) in Other Governmental Funds. The negative balance in Other Governmental Funds is due to the prior year GASB31 adjustment.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and Improvements	5-30 years
Equipment	5-20 years

**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 District will compensate the employees for the benefits through paid time off or some other means. The District 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limit specified in the District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificate</u>
How earned	Not Eligible	15-25 days service at start of each contract year	10-25 days for each year depending on length of service
Maximum Accumulation	Not Applicable	20 days at end of their contract year	20 days at end of their contract year
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificate</u>
How Earned	1-1/2 days per month of employment (18 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/2 days per month of employment (18 days per year)
Maximum Accumulation	265 days	265 days	265 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

**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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the \$4,525,707 in restricted net assets, none were restricted by enabling legislation.

**Interfund Activity**

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

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**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.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization and amounts held in retainage for contractors.

**Note 4 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$1,565,190 of the District's bank balance of \$2,094,597 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Investments**

As of June 30, 2011, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	\$106,598	0.00
STAROhio	274,500	0.16
Commercial Paper	3,996,300	0.31
Total Fair Value	\$4,377,398	
Portfolio Weighted Average Maturity		0.30

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in STAROhio were rated AAAM by Standard & Poor’s. Commercial Paper was rated A-1+ by Standard & Poor’s and Fitch Ratings and P-1 by Moody’s Investors Service. Money Market Funds are unrated.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 6% of the District’s investments in STAROhio, 3% in Money Market Funds and 91% in Commercial Paper.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 5 - Property Taxes**

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Real property taxes collected in 2011 were levied in April on the assessed values as of January 1, 2010, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.



**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. In 2011, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011. Delinquent property taxes collected within 60 days of the fiscal year end are included as a receivable and tax revenue on the fund financial statements. All delinquent property taxes outstanding at June 30, 2011 are recognized as a revenue and receivable on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$4,513,000 for General Fund, \$739,000 in the Debt Service Fund and \$60,000 in Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2011 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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The assessed values upon which the fiscal year 2011 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$348,216,420
Public Utility	<u>10,908,950</u>
Total	<u><u>\$359,125,370</u></u>

**Note 6 – Receivables**

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Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 7 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,059,151	\$1,624,962	\$0	\$3,684,113
Construction in Progress	75,042,486	13,805,282	88,847,768	0
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	14,196,178	83,795,333	8,399,884	89,591,627
Equipment	<u>8,817,803</u>	<u>4,554,670</u>	<u>1,257,620</u>	<u>12,114,853</u>
Totals at Historical Cost	<u>100,115,618</u>	<u>103,780,247</u>	<u>98,505,272</u>	<u>105,390,593</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,180,051	1,597,085	7,355,348	5,421,788
Equipment	<u>6,363,389</u>	<u>1,138,216</u>	<u>1,257,620</u>	<u>6,243,985</u>
Total Accumulated Depreciation	<u>17,543,440</u>	<u>2,735,301</u>	<u>8,612,968</u>	<u>11,665,773</u>
Governmental Activities Capital Assets, Net	<u><u>\$82,572,178</u></u>	<u><u>\$101,044,946</u></u>	<u><u>\$89,892,304</u></u>	<u><u>\$93,724,820</u></u>

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$895,868
Special	110,331
Support Services:	
Pupils	1,183
Instructional Staff	42,816
School Administration	299,673
Operations and Maintenance	709,031
Pupil Transportation	486,252
Central	99,361
Operation of Non-Instructional Services	74,009
Extracurricular Activities	16,777
Total Depreciation Expense	<u><u>\$2,735,301</u></u>

**Note 8 - Long-Term Liabilities**

	Interest Rate	Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
<b>Governmental Activities:</b>						
Loan and Bonds Payable:						
Energy Conservation Loan	2.20%	\$104,678	\$0	\$68,958	\$35,720	\$35,720
2008 School Improvement Bonds	4.25%	31,755,000	0	620,000	31,135,000	655,000
2008 School Improvement Premium on Bonds		1,879,457	0	72,287	1,807,170	0
Capital Leases Payable:						
2005 Project Facilities Lease	4.23%	60,349	0	39,810	20,539	20,539
2005 Roof Replacement Lease	4.37%	25,614	0	25,614	0	0
2005 Food Service Truck Lease	4.37%	7,225	0	7,225	0	0
2008 Fieldhouse Lease	4.85%	335,595	0	43,760	291,835	45,931
Total Long-Term Debt		34,167,918	0	877,654	33,290,264	757,190
Compensated Absences		1,789,045	360,954	244,436	1,905,563	200,188
Total Governmental Activities Long-Term Liabilities		<u><u>\$35,956,963</u></u>	<u><u>\$360,954</u></u>	<u><u>\$1,122,090</u></u>	<u><u>\$35,195,827</u></u>	<u><u>\$957,378</u></u>

General obligation bonds and capital leases will be paid from the debt service fund, the general and the food service fund. Compensated absences will be paid from the fund from which the person is paid.

On January 24, 2009, the District issued \$33,000,000 in School Improvement Bonds with an average interest rate of 4.25% to fund the building construction project for the District. The District had a \$2,096,318 premium on the issuance of these bonds and will be amortized over the remaining life of the debt.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2011 follows:

Fiscal Year Ending June 30	Bonds and Loan		
	Principal	Interest	Total
2012	\$690,720	\$1,458,349	\$2,149,069
2013	750,000	1,434,763	2,184,763
2014	775,000	1,409,981	2,184,981
2015	795,000	1,384,469	2,179,469
2016	825,000	1,357,112	2,182,112
2017-2021	4,620,000	6,244,227	10,864,227
2022-2026	5,820,000	4,932,088	10,752,088
2027-2031	7,420,000	3,316,137	10,736,137
2032-2036	9,475,000	1,231,375	10,706,375
Total	<u>\$31,170,720</u>	<u>\$22,768,501</u>	<u>\$53,939,221</u>

**Note 9 - Capital Lease**

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The District has entered into a capital lease for building improvements, a truck for food service, and athletic equipment.

The lease described above meets the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Future capital lease payments will be made from the Debt Service fund, the General fund, and the Food Service fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending June 30	Capital Leases
2012	\$79,998
2013	59,025
2014	59,025
2015	59,025
2016	59,025
2017	39,397
Total Minimum Lease Payments	355,495
Less: Amount Representing Interest	<u>(43,121)</u>
Present Value of Minimum Lease Payments	<u>\$312,374</u>

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Building and Improvements	\$869,129
Equipment	591,613

**Note 10 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$846,744, \$786,216, and \$787,836, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$2,340,672, \$2,331,072, and \$2,224,848, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 11- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$45,966, \$42,680 and \$42,206, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.



**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
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The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$86,488, \$76,592, and \$234,100, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

### **State Teachers Retirement System of Ohio**

#### Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
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STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$167,190, \$166,505, and \$158,918, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 12 - Contingent Liabilities**

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**Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2011.

**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Note 13 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, Indiana Insurance Company provided property insurance to the District. The Ohio Plan provides liability insurance coverage with a \$3,000,000 aggregate limit to all employees and volunteers of the District.

All vehicles are insured by Nationwide Insurance Company and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past ten years.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
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The District carries performance bonds in the amount of \$50,000 for the Superintendent, Treasurer and Board President by Cincinnati Insurance Company. The Indiana Insurance Company also maintains a \$5,000 public officials' blanket bond for all employees.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The GRP is intended to reduce the District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". The District pays the Ohio State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides a minimum of \$45,000 life insurance and accidental death and dismemberment insurance policy to all employees except administrators through Sun Life Insurance Co. The District provides administrators a maximum of 1.5 times their salary life insurance and accidental death with a maximum of \$150,000.

The District offers medical/surgical/hospitalization insurance benefits to all employees through Choice Care.

Settled claims have not exceeded commercial coverage in any of the past five years. There has not been a significant reduction in insurance coverage from the previous year.

**Note 14 - Jointly Governed Organizations**

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*The Hamilton/Clermont Cooperative Association (HCCA)* is a computer service organization whose primary function is to provide information technology services to its members. Currently, the District along with 31 other member school districts in the Ohio counties of Hamilton and Clermont are participants. The Association was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of HCCA consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Each of the schools support HCCA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained from their fiscal agent, the Hamilton County Education Service Center, Donald Rabe who serves as Treasurer, at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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*Great Oaks Institute of Technology Joint Vocational School* is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of eleven representatives from the various city and county boards within Hamilton County, which possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology Joint Vocational School, Robert Giuffrè who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Note 15 – Insurance Purchasing Pool**

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*Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 16 – Compliance and Accountability**

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**Compliance**

Ohio Revised Code Section 5705.41(B) requires actual expenditures to be limited by appropriations plus prior year encumbrances. Expenditures exceeded appropriations in the following funds: General Fund \$47,760; Permanent Improvement Fund \$17,032; Locally Funded Initiative \$678,342.

**Accountability**

The following individual funds had a deficit in fund balance at year end:

Other Governmental Funds:	
District Managed Activity	\$61,298
Management Information Systems	158,551
Vocational Education Enhancement	4,869
Special Education	66,198
Title I	1,421
Title V Innovative Projects	2,851
IDEA Preschool Grant	372
Improving Teacher Quality	7,932
Race to the Top	3,180
Fiscal Stabilization	7,363

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Generally, the deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

**Note 17 - Fund Balance Reserves for Set-Asides**

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The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2010	\$637,858	\$0	\$168,887
Current Year Set Aside Requirements	466,151	466,151	0
Qualified Disbursements	<u>(324,072)</u>	<u>(1,696,911)</u>	<u>0</u>
Set Aside Reserve Balance as of June 30, 2011	<u>\$779,937</u>	<u>(\$1,230,760)</u>	<u>\$168,887</u>
Restricted Cash as of June 30, 2011	<u>\$779,937</u>	<u>\$0</u>	<u>\$168,887</u>

Expenditures for instructional materials activity during the year totaled \$324,072.

Expenditures for capital activity during the year totaled \$1,696,911, which exceeded the amount required for the set-aside.

Senate Bill 345 eliminated the Budget Stabilization Reserve, except the amounts related to unspent Bureau of Workers' Compensation refunds. The Bill stipulates that the Board of Education can retain the reserve account or use the reserve for specifically discretionary purposes.

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 18 - Interfund Transactions**

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Interfund transactions at June 30, 2011, consisted of the following interfund receivables and payables:

	Interfund Loan	
	Receivable	Payable
General Fund	\$471,467	\$0
Other Governmental Funds	0	471,467
Total All Funds	<u>\$471,467</u>	<u>\$471,467</u>

All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Note 19 – Prior Period Adjustment**

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The following adjustments was made to beginning fund balance to reclassify investment earnings from the Classroom Facilities Fund into Other Governmental funds that was received in previous fiscal years from the Ohio School Facilities Commission (OSFC) for the District's construction projects.

	Debt Service Fund	Classroom Facilities Fund	Other Governmental Funds
Fund Balance, June 30, 2010	N/A *	\$10,990,512	\$4,835,759
Reclassification of Investment Earnings	0	(440,698)	440,698
Major Fund Reclassification	1,272,555	0	(1,272,555)
Change in Fund Structure (Note 21)	0	0	(104,302)
Fund Balance, June 30, 2010 - Restated	<u>\$1,272,555</u>	<u>\$10,549,814</u>	<u>\$3,899,600</u>

\* - reported as part of Other Governmental Funds

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

**Note 20 – Fund Balances**

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

Fund Balances	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$0	\$0	\$0	\$18,404	\$18,404
<b>Total Nonspendable</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,404</u>	<u>18,404</u>
<b>Restricted for:</b>					
Set Asides	779,937	0	0	0	779,937
Local Grants	0	0	0	41,827	41,827
Auxiliary Services	0	0	0	2,558	2,558
Data Communication	0	0	0	6,375	6,375
Miscellaneous State Grants	0	0	0	16,844	16,844
Drug Free Schools	0	0	0	498	498
Miscellaneous Federal Grants	0	0	0	3,885	3,885
Food Service	0	0	0	81,897	81,897
Classroom Facilities Maintenance	0	0	0	671,460	671,460
Technology Title II-D	0	0	0	13,980	13,980
Race to the Top FY11	0	0	0	10,559	10,559
SIG FY11 South Elementary	0	0	0	22,046	22,046
Debt Service	0	1,270,702	0	0	1,270,702
Building	0	0	0	1,431,987	1,431,987
Classroom Facilities	0	0	142	0	142
Permanent Improvement	0	0	0	289,997	289,997
<b>Total Restricted</b>	<u>779,937</u>	<u>1,270,702</u>	<u>142</u>	<u>2,593,913</u>	<u>4,644,694</u>
<b>Assigned to:</b>					
Encumbrances	606,106	0	0	0	606,106
<b>Total Assigned</b>	<u>606,106</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>606,106</u>
<b>Unassigned (Deficit)</b>	<u>1,352,031</u>	<u>0</u>	<u>0</u>	<u>(314,035)</u>	<u>1,037,996</u>
<b>Total Fund Balance</b>	<u>\$2,738,074</u>	<u>1,270,702</u>	<u>\$142</u>	<u>\$2,298,282</u>	<u>\$6,307,200</u>

**Mt. Healthy City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 21 – Change in Accounting Principles and Restatement of Fund Balance**

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**Change in Accounting Principles**

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

**Restatement of Fund Balance**

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Debt Service Fund	Other Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund Balance, June 30, 2010	\$1,967,168	NA*	\$4,835,759
Prior Period Adjustment (Note 19)	0	0	440,698
Major Fund Reclassification (Note 19)	0	1,272,555	(1,272,555)
Change in Fund Structure -GASB 54	104,302	0	(104,302)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund Balance, June 30, 2010 - Restated	<u>\$2,071,470</u>	<u>\$1,272,555</u>	<u>\$3,899,600</u>

\* - reported as part of Other Governmental Funds



# **REQUIRED SUPPLEMENTARY INFORMATION**

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Mt. Healthy City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$11,910,855	\$11,410,072	\$11,331,153	(\$78,919)
Tuition and Fees	868,356	831,847	826,093	(5,754)
Investment Earnings	100,326	96,108	95,443	(665)
Intergovernmental	23,435,012	22,449,704	22,294,429	(155,275)
Extracurricular Activities	39,454	37,795	37,534	(261)
Other Revenues	101,698	97,422	96,748	(674)
<b>Total Revenues</b>	<b>36,455,701</b>	<b>34,922,948</b>	<b>34,681,400</b>	<b>(241,548)</b>
Expenditures:				
Current:				
Instruction:				
Regular	12,626,198	11,880,651	11,896,527	(15,876)
Special	3,255,145	3,062,936	3,067,029	(4,093)
Vocational	277,433	261,051	261,400	(349)
Other	4,900,051	4,610,715	4,616,876	(6,161)
Support Services:				
Pupil	2,439,879	2,295,810	2,298,878	(3,068)
Instructional Staff	1,867,834	1,757,542	1,759,891	(2,349)
General Administration	123,873	116,558	116,714	(156)
School Administration	2,761,594	2,598,529	2,602,001	(3,472)
Fiscal	790,778	744,085	745,079	(994)
Business	59,089	55,600	55,674	(74)
Operations and Maintenance	4,966,944	4,673,657	4,679,903	(6,246)
Pupil Transportation	2,286,605	2,151,587	2,154,462	(2,875)
Central	443,893	417,682	418,240	(558)
Operation of Non-Instructional Services	15,866	14,929	14,949	(20)
Extracurricular Activities	657,152	618,349	619,175	(826)
Capital Outlay	20,164	18,974	18,999	(25)
<b>Total Expenditures</b>	<b>37,492,498</b>	<b>35,278,655</b>	<b>35,325,797</b>	<b>(47,142)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,036,797)</b>	<b>(355,707)</b>	<b>(644,397)</b>	<b>(288,690)</b>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	8,573	8,213	8,156	(57)
Advances (Out)	(168,246)	(158,311)	(158,523)	(212)
Transfers In	3,675	3,520	3,496	(24)
Transfers (Out)	(3,710)	(3,491)	(3,496)	(5)
<b>Total Other Financing Sources (Uses)</b>	<b>(159,708)</b>	<b>(150,069)</b>	<b>(150,367)</b>	<b>(298)</b>
<b>Net Change in Fund Balance</b>	<b>(1,196,505)</b>	<b>(505,776)</b>	<b>(794,764)</b>	<b>(288,988)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,110,182	2,110,182	2,110,182	0
<b>Fund Balance End of Year</b>	<b>\$913,677</b>	<b>\$1,604,406</b>	<b>\$1,315,418</b>	<b>(\$288,988)</b>

See accompanying notes to the required supplementary information.

**Mt. Healthy City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 1 – Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources 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 that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. 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 the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2011.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution 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 the Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

**Mt. Healthy City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2011**

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$666,604
Revenue Accruals	(210,666)
Expenditure Accruals	(338,688)
Transfers In	3,496
Transfers (Out)	(3,496)
Advances (Out)	(158,523)
Encumbrances	<u>(753,491)</u>
Budget Basis	<u><u>(\$794,764)</u></u>

**MT. HEALTHY CITY SCHOOL DISTRICT**



**Single Audit Reports**

**June 30, 2011**

**MT. HEALTHY CITY SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$500,028	\$0	\$500,028	\$0
National School Lunch Program	3L60	10.555	1,058,641	173,302	1,058,641	173,302
Summer Food Service Program for Children	3L60	10.559	18,694	0	18,694	0
Total Nutrition Cluster			<u>1,577,363</u>	<u>173,302</u>	<u>1,577,363</u>	<u>173,302</u>
Total U.S. Department of Agriculture			<u>1,577,363</u>	<u>173,302</u>	<u>1,577,363</u>	<u>173,302</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	691,109	0	781,053	0
Special Education-Grants to States - ARRA	3DJ0	84.391	687,025	0	458,491	0
Special Education-Preschool Grants	3C50	84.173	20,507	0	20,507	0
Special Education-Preschool Grants - ARRA	3DL0	84.392	15,859	0	20,428	0
Total Special Education Cluster			<u>1,414,500</u>	<u>0</u>	<u>1,280,479</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	1,314,559	0	1,359,605	0
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	248,760	0	259,622	0
Total Title I Cluster			<u>1,563,319</u>	<u>0</u>	<u>1,619,227</u>	<u>0</u>
Education Technology Cluster						
Education Technology State Grants	3S20	84.318	56,623	0	59,757	0
Title IID Technology - ARRA	3DM0	84.386	212,043	0	207,733	0
Total Education Technology Cluster			<u>268,666</u>	<u>0</u>	<u>267,490</u>	<u>0</u>
Safe and Drug Free Schools and Communities						
21st Century	3D10	84.186	20,227	0	24,984	0
Improving Teacher Quality	3Y20	84.287	119,563	0	170,321	0
School Improvement - ARRA	3Y60	84.367	211,345	0	197,460	0
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	3DP0	84.388	695,429	0	684,450	0
Education Jobs	GRF	84.394	1,675,619	0	1,786,876	0
Consolidated Federal Grant Administration	3ET0	84.410	99,194	0	94,688	0
Race to the Top	3Z30	00	1,068	0	0	0
	3FD0	84.395	0	0	18,365	0
Total Department of Education			<u>6,068,930</u>	<u>0</u>	<u>6,144,340</u>	<u>0</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed Through Ohio Dept Health and Human Services						
Medical Assistance Program	N/A	93.778	182,866	0	182,866	0
Total Department of Health & Human Services			<u>182,866</u>	<u>0</u>	<u>182,866</u>	<u>0</u>
Total Federal Assistance			<u>\$7,829,159</u>	<u>\$173,302</u>	<u>\$7,904,569</u>	<u>\$173,302</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs.  
The schedule has been prepared on the cash basis of accounting.

**REPORT 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**

Board of Education  
Mt. Healthy City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt. Healthy City School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2011 wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 21. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-1 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

We noted certain other matters that we reported to management of the District in a separate letter dated December 30, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 30, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Mt. Healthy City School District

Compliance

We have audited Mt. Healthy City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011, which contained an unqualified opinion on those financial statements wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 21. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 30, 2011

**MT. HEALTHY CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Section I – Summary of Auditor’s Results**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	
	Special Education Cluster:	Nutrition Cluster:
	Grants to State                      CFDA # 84.027	School Breakfast Program              CFDA # 10.553
	Grants to State - ARRA              CFDA # 84.391	National School Lunch Program              CFDA # 10.555
	Preschool Grants                      CFDA # 84.173	Summer Food Svc Prog for Children              CFDA # 10.559
	Preschool Grants - ARRA              CFDA # 84.392	State Fiscal Stabilization Fund:
	School Improvement:	(SFSF) Ed St Grant - ARRA              CFDA # 84.394
	School Improvement Grant-ARRA              CFDA # 84.388	
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

## **Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

### **Finding 2011-1 Material Weakness –Controls Related to Financial Reporting**

The results of our audit procedures revealed the existence of deficiencies in the design and operation of the District’s controls over financial reporting related to accounting detail records. The following conditions were among the issues identified:

- Investment earnings on District funds were not properly allocated between District and State funds for the prior two fiscal years for the Classroom Facilities Fund. This resulted in a material restatement of prior year financial statement amounts.

Generally these conditions are caused by a failure to review and update controls on a regular basis, poor communication of control requirements and inadequate training of personnel. The effect of the above issues is the existence of a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis.

#### *Recommendation*

Consider reviewing and updating the design and operation of the District’s controls over financial reporting, not only related to detail accounting records, but also identify other areas that could be improved as well.

#### *Management Response/Corrective Action Plan*

The District concurs and plans to review and upgrade the design and operation of the District’s controls over financial reporting.

## **Section III – Federal Award Findings and Questioned Costs**

None

**MT. HEALTHY CITY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133**  
**Year Ended June 30, 2011**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>If not fully corrected, Explain Status:</u></b>
2010-01	Material Weakness –Controls Related to Financial Reporting	No	Reissued as 2011-1
2010-02	Section .320 of OMB Circular A-133 Overdue Annual Single Audit Reporting Package Filing	Yes	

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURE**

Board of Education  
Mt. Healthy City School District

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board of Education (the Board), solely to assist the Board in evaluating whether Mt. Healthy City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 30, 2011



# Dave Yost • Auditor of State

**MT. HEALTHY CITY SCHOOL DISTRICT**

**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  
MARCH 15, 2012**