

MT. HEALTHY CITY SCHOOL DISTRICT



Basic Financial Statements

June 30, 2012



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, 2011 through June 30, 2012. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 1, 2013

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2012, 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, 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 14, 2012

**Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

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, 2012. 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 2012 are as follows:

- Net assets of governmental activities decreased \$705,263 which represents a 1% decrease from 2011.
- General revenues accounted for \$33,929,504 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,546,382 or 25% of total revenues of \$45,475,886 .
- The District had \$46,181,149 in expenses related to governmental activities; \$11,546,382 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$33,929,504 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 and Debt Service 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, 2012
(Unaudited)**

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 2012?" 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.

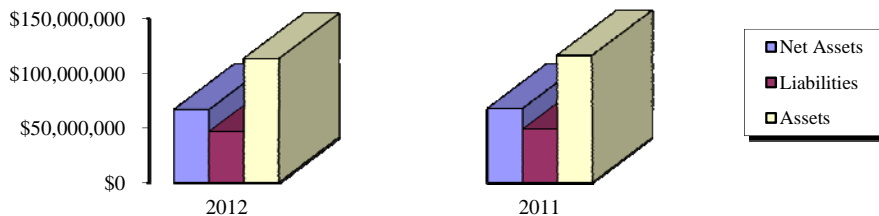
**Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

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 2012 compared to 2011:

**Table 1
Net Assets**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Current and Other Assets	\$22,363,554	\$22,405,278
Capital Assets	<u>90,908,530</u>	<u>93,724,820</u>
Total Assets	<u>113,272,084</u>	<u>116,130,098</u>
Liabilities:		
Other Liabilities	12,425,095	13,489,551
Long-Term Liabilities	<u>34,107,532</u>	<u>35,195,827</u>
Total Liabilities	<u>46,532,627</u>	<u>48,685,378</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	58,447,743	60,434,556
Restricted	3,337,464	4,525,707
Unrestricted	<u>4,954,250</u>	<u>2,484,457</u>
Total Net Assets	<u>\$66,739,457</u>	<u>\$67,444,720</u>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$66,739,457.

At year-end, capital assets represented 80% 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, 2012, was \$58,447,743. 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
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

A portion of the District's net assets, \$3,337,464 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.

Capital Assets decreased mainly due current year depreciation expense exceeding current year additions. Long-Term Liabilities decreased mainly due to the District continuing to make principal payments on its long term debt obligations. Other Liabilities decreased mainly due to a decrease in payables for fiscal year 2012 as compared to fiscal year 2011.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

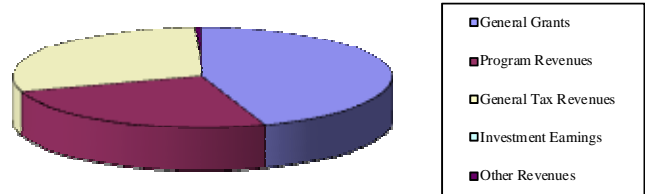
**Table 2
Changes in Net Assets**

	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues		
Charges for Services	\$1,348,548	\$1,380,520
Operating Grants, Contributions	10,197,834	11,428,568
General Revenues:		
Property Taxes	13,306,723	13,623,697
Grants and Entitlements	20,323,668	19,120,114
Other	299,113	210,165
Total Revenues	<u>45,475,886</u>	<u>45,763,064</u>
Program Expenses:		
Instruction	24,816,450	24,481,570
Support Services:		
Pupil and Instructional Staff	5,246,624	5,913,759
School Administrative, General		
Administration, Fiscal and Business	3,945,699	3,843,284
Operations and Maintenance	4,467,872	5,274,986
Pupil Transportation	2,959,485	2,640,534
Central	454,657	565,519
Operation of Non-Instructional Services	2,095,276	2,277,897
Extracurricular Activities	779,014	843,126
Interest and Fiscal Charges	1,416,072	1,446,702
Total Program Expenses	<u>46,181,149</u>	<u>47,287,377</u>
Change in Net Assets	(705,263)	(1,524,313)
Net Assets Beginning of Year	<u>67,444,720</u>	<u>68,969,033</u>
Net Assets End of Year	<u>\$66,739,457</u>	<u>\$67,444,720</u>

**Mt. Healthy City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(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 74% of the District’s revenues for governmental activities. The District’s reliance upon tax revenues is demonstrated in the following graph:

Revenue Sources	2012	Percent of Total
General Grants	\$20,323,668	44.69%
Program Revenues	11,546,382	25.39%
General Tax Revenues	13,306,723	29.26%
Investment Earnings	17,658	0.04%
Other Revenues	281,455	0.62%
	<u>\$45,475,886</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 29% of revenue for governmental activities for the District in fiscal year 2012.

Total Revenues remained relatively consistent in fiscal year 2012 as compared to fiscal year 2011. Operation and Maintenance expenditures decreased mainly due to a decrease in overall maintenance throughout the District.

Instruction comprises 53.7% of governmental program expenses. Support services expenses were 37.0% of governmental program expenses. All other expenses including interest expense were 9.3%. 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, 2012
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$24,816,450	\$24,481,570	(\$18,271,299)	(\$16,524,304)
Support Services:				
Pupil and Instructional Staff	5,246,624	5,913,759	(3,439,859)	(4,138,887)
School Administrative, General Administration, Fiscal and Business	3,945,699	3,843,284	(3,678,607)	(3,530,656)
Operations and Maintenance	4,467,872	5,274,986	(4,357,014)	(5,171,863)
Pupil Transportation	2,959,485	2,640,534	(2,616,050)	(2,307,909)
Central	454,657	565,519	(454,657)	(450,003)
Operation of Non-Instructional Services	2,095,276	2,277,897	177,195	(284,216)
Extracurricular Activities	779,014	843,126	(578,404)	(623,749)
Interest and Fiscal Charges	1,416,072	1,446,702	(1,416,072)	(1,446,702)
Total Expenses	\$46,181,149	\$47,287,377	(\$34,634,767)	(\$34,478,289)

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprised \$18,840,958 (84%) of the total \$22,304,137 governmental funds assets.

General Fund: Fund balance at June 30, 2012 was \$4,604,574, an increase in fund balance of \$1,866,500 from 2011. The primary reason for the increase in fund balance was due to an increase in intergovernmental revenue.

Debt Service Fund: Fund balance at June 30, 2012 was \$1,210,190 a decrease in fund balance of \$60,512 from 2011. The fund balance remained relatively consistent in fiscal year 2012 as compared to fiscal year 2011.

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 2012, 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 \$35,980,729, compared to final budget estimates of \$35,591,925. The difference between the original budget basis and final budget was \$388,804, which was mostly due to decreases in taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$2,676,586.

**Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$90,908,530 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	Governmental Activities	
	2012	2011
Land	\$3,684,113	\$3,684,113
Buildings and Improvements	82,421,212	84,169,839
Equipment	4,803,205	5,870,868
Total Net Capital Assets	<u>\$90,908,530</u>	<u>\$93,724,820</u>

The decrease in capital assets is due to current year depreciation expense exceeding current year additions.

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

Debt

At June 30, 2012, the District had \$32,460,787 in Bonds and Capital Leases outstanding and \$795,931 due within one year. Table 5 summarizes outstanding debt at year end.

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

	Governmental Activities	
	2012	2011
Energy Conservation Loan	\$0	\$35,720
2008 School Improvement Bonds	30,480,000	31,135,000
Premium on 2008 School Improvement Bonds	1,734,883	1,807,170
Capital Leases	245,904	312,374
Total Loan, Bonds, and Capital Leases Payable	<u>\$32,460,787</u>	<u>\$33,290,264</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, 2012
(Unaudited)**

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, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$5,401,158
Restricted Cash and Investments	302,301
Receivables:	
Taxes	14,567,725
Accounts	2,335
Intergovernmental	1,581,533
Deferred Bond Issuance Costs	495,140
Inventory	13,362
Nondepreciable Capital Assets	3,684,113
Depreciable Capital Assets, Net	<u>87,224,417</u>
 Total Assets	 <u>113,272,084</u>
Liabilities:	
Accounts Payable	264,015
Accrued Wages and Benefits	4,158,921
Retainage Payable	133,414
Accrued Interest Payable	114,679
Unearned Revenue	7,754,066
Long-Term Liabilities:	
Due Within One Year	1,157,965
Due In More Than One Year	<u>32,949,567</u>
 Total Liabilities	 <u>46,532,627</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	58,447,743
Restricted for:	
Debt Service	1,298,114
Capital Projects	362,931
Classroom Facilities Maintenance	631,779
Federal Grants	697,873
Food Service	285,775
Other Purposes	60,992
Unrestricted	<u>4,954,250</u>
 Total Net Assets	 <u><u>\$66,739,457</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, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$11,989,474	\$528,906	\$258,062	(\$11,202,506)
Special	6,042,972	213,852	5,491,221	(337,899)
Vocational	188,611	6	53,104	(135,501)
Other	6,595,393	0	0	(6,595,393)
Support Services:				
Pupil	2,063,721	0	18,104	(2,045,617)
Instructional Staff	3,182,903	35,950	1,752,711	(1,394,242)
General Administration	50,939	0	0	(50,939)
School Administration	2,929,035	17,829	248,988	(2,662,218)
Fiscal	904,786	0	275	(904,511)
Business	60,939	0	0	(60,939)
Operations and Maintenance	4,467,872	80,534	30,324	(4,357,014)
Pupil Transportation	2,959,485	1	343,434	(2,616,050)
Central	454,657	0	0	(454,657)
Operation of Non-Instructional Services	2,095,276	273,797	1,998,674	177,195
Extracurricular Activities	779,014	197,673	2,937	(578,404)
Interest and Fiscal Charges	1,416,072	0	0	(1,416,072)
Total Governmental Activities	\$46,181,149	\$1,348,548	\$10,197,834	(34,634,767)

General Revenues:

Property Taxes Levied for:

General Purposes	11,364,427
Special Revenue Purposes	134,602
Debt Service Purposes	1,807,694
Grants and Entitlements not Restricted to Specific Programs	20,323,668
Unrestricted Contributions	23,746
Investment Earnings	17,658
Other Revenues	257,709

Total General Revenues 33,929,504

Change in Net Assets (705,263)

Net Assets Beginning of Year 67,444,720

Net Assets End of Year \$66,739,457

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,301,287	\$511,190	\$1,588,681	\$5,401,158
Restricted Cash and Investments	168,887	0	133,414	302,301
Receivables:				
Taxes	12,369,020	2,052,516	146,189	14,567,725
Accounts	2,335	0	0	2,335
Intergovernmental	0	0	1,581,533	1,581,533
Interfund	435,723	0	0	435,723
Inventory	0	0	13,362	13,362
Total Assets	16,277,252	2,563,706	3,463,179	22,304,137
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	113,325	0	150,690	264,015
Accrued Wages and Benefits	3,426,133	0	732,788	4,158,921
Compensated Absences	284,485	0	0	284,485
Retainage Payable	0	0	133,414	133,414
Interfund Payable	0	0	435,723	435,723
Deferred Revenue	7,848,735	1,353,516	765,484	9,967,735
Total Liabilities	11,672,678	1,353,516	2,218,099	15,244,293
Fund Balances:				
Nonspendable	0	0	13,362	13,362
Restricted	0	1,210,190	1,510,481	2,720,671
Assigned	1,459,676	0	0	1,459,676
Unassigned	3,144,898	0	(278,763)	2,866,135
Total Fund Balances	4,604,574	1,210,190	1,245,080	7,059,844
Total Liabilities and Fund Balances	\$16,277,252	\$2,563,706	\$3,463,179	\$22,304,137

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, 2012

Total Governmental Fund Balance		\$7,059,844
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.		90,908,530
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$1,466,974	
Intergovernmental	671,295	
Other	<u>75,400</u>	
		2,213,669
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.		(114,679)
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		(1,362,260)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		495,140
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(32,460,787)</u>
Net Assets of Governmental Activities		<u>\$66,739,457</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, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$11,309,799	\$1,799,822	\$135,317	\$13,244,938
Tuition and Fees	842,203	0	0	842,203
Investment Earnings	16,807	0	851	17,658
Intergovernmental	23,220,705	286,068	6,960,855	30,467,628
Extracurricular Activities	55,983	0	78,202	134,185
Charges for Services	28,888	0	274,991	303,879
Other Revenues	213,912	0	136,124	350,036
Total Revenues	35,688,297	2,085,890	7,586,340	45,360,527
Expenditures:				
Current:				
Instruction:				
Regular	10,795,468	0	2,551	10,798,019
Special	3,095,049	0	2,789,292	5,884,341
Vocational	177,185	0	4,841	182,026
Other	6,604,051	0	0	6,604,051
Support Services:				
Pupil	1,985,006	0	143,511	2,128,517
Instructional Staff	1,540,318	0	1,674,050	3,214,368
General Administration	50,939	0	0	50,939
School Administration	2,164,952	0	281,426	2,446,378
Fiscal	819,276	33,882	32,413	885,571
Business	60,939	0	0	60,939
Operations and Maintenance	3,116,227	0	394,911	3,511,138
Pupil Transportation	2,182,562	0	103,817	2,286,379
Central	308,415	0	0	308,415
Operation of Non-Instructional Services	3,583	0	2,003,197	2,006,780
Extracurricular Activities	637,445	0	115,642	753,087
Capital Outlay	4,841	0	1,253,101	1,257,942
Debt Service:				
Principal Retirement	102,190	655,000	0	757,190
Interest and Fiscal Charges	14,283	1,457,520	0	1,471,803
Total Expenditures	33,662,729	2,146,402	8,798,752	44,607,883
Excess of Revenues Over (Under) Expenditures	2,025,568	(60,512)	(1,212,412)	752,644
Other Financing Sources (Uses):				
Transfers In	0	0	159,068	159,068
Transfers (Out)	(159,068)	0	0	(159,068)
Total Other Financing Sources (Uses)	(159,068)	0	159,068	0
Net Change in Fund Balance	1,866,500	(60,512)	(1,053,344)	752,644
Fund Balance Beginning of Year	2,738,074	1,270,702	2,298,424	6,307,200
Fund Balance End of Year	\$4,604,574	\$1,210,190	\$1,245,080	\$7,059,844

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, 2012

Net Change in Fund Balance - Total Governmental Funds \$752,644

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	\$1,410,791	
Depreciation Expense	<u>(4,227,081)</u>	
		(2,816,290)

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

Delinquent Property Taxes	(13,615)	
Intergovernmental	53,574	
Other	<u>75,400</u>	
		115,359

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. 757,190

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 4,075

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	430,103	
Amortization of Bond Issuance Cost	(20,631)	
Amortization of Bond Premium	<u>72,287</u>	
		<u>481,759</u>

Change in Net Assets of Governmental Activities (\$705,263)

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$49,220</u>
Total Assets	<u><u>49,220</u></u>
Liabilities:	
Accounts Payable	2,335
Other Liabilities	<u>46,885</u>
Total Liabilities	<u><u>\$49,220</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, 2012

Note 1 - Description of the District

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 139 support staff personnel and approximately 242 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, 2 elementary schools, 1 junior high (grades 7-8), and 1 high school (grades 9-12). The Junior High and High School are located on the same complex.

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies

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, 2012

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.

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, 2012

Note 3 - Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. 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, 2012, but which were levied to finance fiscal year 2013 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, 2012

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.

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 2012 amounted to \$16,807 and \$851 in Other Governmental Funds.

Inventory

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

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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. 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>	<u>Governmental Activities 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, 2012

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 \$3,337,464 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, 2012

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, 2012

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

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, 2012

- (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, 2012, \$1,053,804 of the District's bank balance of \$4,022,967 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, 2012

Investments

As of June 30, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$106,820	0.00
Commercial Paper	1,995,060	0.32
Total Fair Value	<u>\$2,101,880</u>	
Portfolio Weighted Average Maturity		0.31

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. 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 5% in Money Market Funds and 95% 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

Real property taxes collected in 2012 were levied in April on the assessed values as of January 1, 2011, 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, 2012

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 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 2012 were levied after April 1, 2011, on the value as of December 31, 2011. 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 2012, 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, 2012. 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, 2012 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, 2012, was \$4,334,000 for General Fund, \$699,000 in the Debt Service Fund and \$52,000 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 2012 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.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$338,400,000
Public Utility	<u>9,100,000</u>
Total	<u><u>\$347,500,000</u></u>

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 6 – Receivables

Receivables at June 30, 2012, consisted of taxes, accounts (rent and student fees), 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

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$3,684,113	\$0	\$0	\$3,684,113
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	89,591,627	1,191,676	0	90,783,303
Equipment	12,114,853	219,115	0	12,333,968
Totals at Historical Cost	<u>105,390,593</u>	<u>1,410,791</u>	<u>0</u>	<u>106,801,384</u>
Less Accumulated Depreciation:				
Buildings and Improvements	5,421,788	2,940,303	0	8,362,091
Equipment	6,243,985	1,286,778	0	7,530,763
Total Accumulated Depreciation	<u>11,665,773</u>	<u>4,227,081</u>	<u>0</u>	<u>15,892,854</u>
Governmental Activities Capital Assets, Net	<u>\$93,724,820</u>	<u>(\$2,816,290)</u>	<u>\$0</u>	<u>\$90,908,530</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,384,455
Special	170,503
Support Services:	
Pupils	1,828
Instructional Staff	66,168
School Administration	463,109
Operations and Maintenance	1,095,723
Pupil Transportation	751,445
Central	153,551
Operation of Non-Instructional Services	114,372
Extracurricular Activities	25,927
Total Depreciation Expense	<u>\$4,227,081</u>

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 - Long-Term Liabilities

	Interest Rate	Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
Governmental Activities:						
Loan and Bonds Payable:						
Energy Conservation Loan	2.20%	\$35,720	\$0	\$35,720	\$0	\$0
2008 School Improvement Bonds	4.25%	31,135,000	0	655,000	30,480,000	750,000
2008 School Improvement Premium on Bonds		1,807,170	0	72,287	1,734,883	0
Capital Leases Payable:						
2005 Project Facilities Lease	4.23%	20,539	0	20,539	0	0
2008 Athletic Boosters Lease	4.85%	291,835	0	45,931	245,904	45,931
Total Long-Term Debt		33,290,264	0	829,477	32,460,787	795,931
Compensated Absences		1,905,563	200,188	459,006	1,646,745	362,034
Total Governmental Activities Long-Term Liabilities		<u>\$35,195,827</u>	<u>\$200,188</u>	<u>\$1,288,483</u>	<u>\$34,107,532</u>	<u>\$1,157,965</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.

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2012 follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
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	855,000	1,323,713	2,178,713
2018-2022	4,820,000	6,023,395	10,843,395
2023-2027	6,110,000	4,629,757	10,739,757
2028-2032	7,790,000	2,946,462	10,736,462
2033-2036	7,760,000	800,500	8,560,500
Total	<u>\$30,480,000</u>	<u>\$21,310,152</u>	<u>\$51,790,152</u>

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Capital Lease

The District has entered into a capital lease for building improvements 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 General 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
2013	\$59,025
2014	59,025
2015	59,025
2016	59,025
2017	39,397
Total Minimum Lease Payments	275,497
Less: Amount Representing Interest	(29,593)
Present Value of Minimum Lease Payments	<u>\$245,904</u>

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

Building and Improvements	\$135,140
Equipment	417,462

Note 10 - Pension Plans

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 under *Employers/Audit Resources*.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, 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, 2012, 2011, and 2010 were \$745,320, \$846,744, and \$786,216, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

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.

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 31st 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.

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$2,175,852, \$2,340,672, and \$2,331,072, respectively; 85% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

Note 11- Post Employment Benefits

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012 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 2012, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2012, 2011 and 2010 were \$40,460, \$45,966 and \$42,680, 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.

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, 2012, 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 2012, 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, 2012, 2011, and 2010 were \$76,129, \$86,488, and \$76,592, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting 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, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$155,418, \$167,190, and \$166,505, respectively; 85% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 12 - Contingent Liabilities

Student Attendance Data Review

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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

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.

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The District participates in the Sheakley Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 provides a minimum of \$45,000 life insurance and accidental death and dismemberment insurance policy to all employees except administrators through Anthem 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 Anthem Blue Cross/Blue Shield through the Greater Cincinnati Insurance Consortium.

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

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.

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.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 15 – Accountability

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

Other Governmental Funds:	
District Managed Activity	\$40,395
Management Information Systems	158,514
Special Education	29,591
Title I	30,019
Title V Innovative Projects	2,851
Improving Teacher Quality	7,298
Race to the Top	9,161
Race to the Top FY 11	934

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 16 – Requirement for Set-Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula 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.

	Textbooks	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2011	\$779,937	\$0	\$168,887
Current Year Set Aside Requirements	0	621,572	0
Qualified Disbursements	0	(954,587)	0
Elimination per H.B. 30 of the Ohio 129th General Assembly	(779,937)	0	0
Set Aside Reserve Balance as of June 30, 2012	<u>\$0</u>	<u>(\$333,015)</u>	<u>\$168,887</u>
Restricted Cash as of June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$168,887</u>

Expenditures for capital activity during the year totaled \$954,587, which exceeded the amount required for the set-aside.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

Note 17 - Interfund Transactions

Interfund transactions at June 30, 2012, consisted of the following interfund receivables, payables, transfers in and out:

	Interfund Loan		Transfers	
	Receivable	Payable	In	Out
General Fund	\$435,723	\$0	\$0	\$159,068
Other Governmental Funds	0	435,723	159,068	0
Total All Funds	<u>\$435,723</u>	<u>\$435,723</u>	<u>\$159,068</u>	<u>\$159,068</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

All interfund balances are expected to be paid within one year.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 18 – 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	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$0	\$0	\$13,362	\$13,362
Total Nonspendable	0	0	13,362	13,362
Restricted for:				
Local Grants	0	0	39,241	39,241
Auxiliary Services	0	0	1,576	1,576
Vocational Education Enhancement	0	0	1,370	1,370
Miscellaneous State Grants	0	0	18,805	18,805
Drug Free Schools	0	0	498	498
Miscellaneous Federal Grants	0	0	33,763	33,763
Food Service	0	0	354,389	354,389
Classroom Facilities Maintenance	0	0	616,665	616,665
Technology Title II-D	0	0	7,500	7,500
SIG FY11 South Elementary	0	0	73,743	73,743
Debt Service	0	1,210,190	0	1,210,190
Building	0	0	275,553	275,553
Permanent Improvement	0	0	87,378	87,378
Total Restricted	0	1,210,190	1,510,481	2,720,671
Assigned to:				
Public School Support	35,486	0	0	35,486
Budgetary Resource	776,449	0	0	776,449
Encumbrances	647,741	0	0	647,741
Total Assigned	1,459,676	0	0	1,459,676
Unassigned (Deficit)	3,144,898	0	(278,763)	2,866,135
Total Fund Balance	\$4,604,574	1,210,190	\$1,245,080	\$7,059,844

REQUIRED SUPPLEMENTARY INFORMATION

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, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$11,425,821	\$11,302,354	\$11,302,514	\$160
Tuition and Fees	851,391	842,191	842,203	12
Investment Earnings	16,990	16,807	16,807	0
Intergovernmental	23,474,036	23,220,377	23,220,705	328
Extracurricular Activities	23,760	23,504	23,504	0
Charges for Services	29,203	28,888	28,888	0
Other Revenues	159,528	157,804	157,806	2
Total Revenues	35,980,729	35,591,925	35,592,427	502
Expenditures:				
Current:				
Instruction:				
Regular	11,723,202	11,403,121	10,976,622	426,499
Special	3,358,313	3,266,620	3,144,442	122,178
Vocational	209,145	203,435	195,826	7,609
Other	7,254,555	7,056,482	6,792,556	263,926
Support Services:				
Pupil	2,105,328	2,047,845	1,971,252	76,593
Instructional Staff	1,682,075	1,636,149	1,574,954	61,195
General Administration	59,746	58,115	55,941	2,174
School Administration	2,254,467	2,192,913	2,110,894	82,019
Fiscal	884,749	860,593	828,405	32,188
Business	70,374	68,452	65,892	2,560
Operations and Maintenance	3,815,314	3,711,144	3,572,340	138,804
Pupil Transportation	2,498,961	2,430,731	2,339,817	90,914
Central	367,018	356,997	343,645	13,352
Operation of Non-Instructional Services	3,972	3,864	3,719	145
Extracurricular Activities	586,059	570,057	548,736	21,321
Capital Outlay	6,750	6,566	6,320	246
Debt Service:				
Principal Retirement	109,141	106,161	102,190	3,971
Interest and Fiscal Charges	15,254	14,838	14,283	555
Total Expenditures	37,004,423	35,994,083	34,647,834	1,346,249
Excess of Revenues Over (Under) Expenditures	(1,023,694)	(402,158)	944,593	1,346,751
Other Financing Sources (Uses):				
Advances (Out)	(183,057)	(178,059)	(171,399)	6,660
Transfers (Out)	(169,898)	(165,259)	(159,078)	6,181
Total Other Financing Sources (Uses)	(352,955)	(343,318)	(330,477)	12,841
Net Change in Fund Balance	(1,376,649)	(745,476)	614,116	1,359,592
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,062,470	2,062,470	2,062,470	0
Fund Balance End of Year	\$685,821	\$1,316,994	\$2,676,586	\$1,359,592

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, 2012

Note 1 – Budgetary Process

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 2012.

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 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, 2012

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	\$1,866,500
Revenue Accruals	(95,870)
Expenditure Accruals	(234,112)
Transfers (Out)	(10)
Advances (Out)	(171,399)
Encumbrances	<u>(750,993)</u>
Budget Basis	<u><u>\$614,116</u></u>

MT. HEALTHY CITY SCHOOL DISTRICT



Single Audit Reports

June 30, 2012

**MT. HEALTHY CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$550,885	\$0	\$550,885	\$0
National School Lunch Program	3L60	10.555	1,139,967	138,503	1,139,967	138,503
Summer Food Service Program for Children	3L60	10.559	20,365	0	20,365	0
Total Nutrition Cluster			<u>1,711,217</u>	<u>138,503</u>	<u>1,711,217</u>	<u>138,503</u>
Total U.S. Department of Agriculture			<u>1,711,217</u>	<u>138,503</u>	<u>1,711,217</u>	<u>138,503</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	1,055,936	0	877,142	0
Special Education-Grants to States - ARRA	3DJ0	84.391	38,943	0	108,532	0
Special Education-Preschool Grants	3C50	84.173	20,143	0	20,143	0
Special Education-Preschool Grants - ARRA	3DL0	84.392	10,238	0	7,673	0
Total Special Education Cluster			<u>1,125,260</u>	<u>0</u>	<u>1,013,490</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	1,388,799	0	1,374,979	0
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	59,199	0	80,116	0
Total Title I Cluster			<u>1,447,998</u>	<u>0</u>	<u>1,455,095</u>	<u>0</u>
Education Technology Cluster						
Education Technology State Grants	3S20	84.318	746	0	1,678	0
Title IID Technology - ARRA	3DM0	84.386	12,720	0	16,041	0
			13,466	0	17,719	0
21st Century	3Y20	84.287	230,214	0	186,390	0
Improving Teacher Quality	3Y60	84.367	214,970	0	223,792	0
School Improvement - ARRA	3DP0	84.388	1,029,930	0	1,115,371	0
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	0	0	176,007	0
Education Jobs	3ET0	84.410	761,402	0	767,034	0
Race to the Top - ARRA	3FD0	84.395	95,843	0	134,448	0
Total Department of Education			<u>4,919,083</u>	<u>0</u>	<u>5,089,346</u>	<u>0</u>
Total Federal Assistance			<u>\$6,630,300</u>	<u>\$138,503</u>	<u>\$6,800,563</u>	<u>\$138,503</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**

To the 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 matters that we reported to management of the District in a separate letter dated December 14, 2012.

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 14, 2012

**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**

To the Board of Education
Mt. Healthy City School District

Compliance

We have audited the 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, 2012. 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, 2012.

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 governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012, which contained an unqualified opinion on those financial statements. 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 14, 2012

**MT. HEALTHY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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>	No
(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>	
	Nutrition Cluster:	
	School Breakfast Program	CFDA # 10.553
	National School Lunch Program	CFDA # 10.555
	Summer Food Svc Prog for Children	CFDA # 10.559
	School Improvement Grant-ARRA	CFDA # 84.388
	Education Jobs	CFDA # 84.410
(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

None

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, 2012

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>If not fully corrected, Explain Status:</u>
2011-1	Material Weakness – Controls Related to Financial Reporting	Yes	



Dave Yost • Auditor of State

MT. HEALTH 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 14, 2013**