

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
FINANCIAL STATEMENTS
December 31, 2009**



Dave Yost • Auditor of State

City Council
City of Mt. Healthy
7700 Perry Street
Mt. Healthy, Ohio 45231

We have reviewed the *Report of Independent Accountants* of the City of Mt. Healthy, Hamilton County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 22, 2011

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

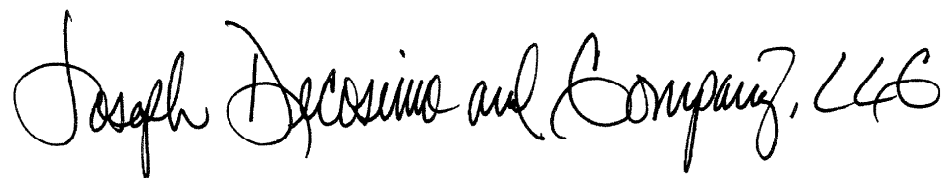
We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of December 31, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Safety Tax Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



Cincinnati, Ohio
June 27, 2011

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Management's Discussion and Analysis (MD&A) of the City of Mt. Healthy's financial performance provides an overview of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

Financial Highlights

- The City's total net assets increased \$564,593 from 2008.
- General revenues accounted for \$2,664,658 of all government revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,157,421 of total governmental revenues of \$4,822,079.
- The City had \$4,257,486 in expenses; \$2,157,421 of these expenses were offset by program specific revenues in the form of charges for services and sales, grants and contributions.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

One of the most important questions asked about the City is "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. However, the City's goal is to provide services to its citizens, not to generate profits as commercial entities do.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 6. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the City Auditor, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The major funds for the City of Mt. Healthy are the General Fund, Safety Tax Fund, Capital Improvement Fund, and CMHA Projects Fund.

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

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

The City as a Whole

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Table 1
Net Assets

| | Governmental Activities | | |
|--|-------------------------|--------------------|--------------------|
| | 2009 | 2008 | Change |
| Assets | | | |
| Current and Other Assets | \$2,638,117 | \$2,182,248 | \$455,869 |
| Nondepreciable Capital Assets | 488,830 | 294,990 | 193,840 |
| Depreciable Capital Assets, Net | 3,610,172 | 3,238,087 | 372,085 |
| Total Assets | \$6,737,119 | \$5,715,325 | \$1,021,794 |
| Liabilities | | | |
| Current and Other Liabilities | \$1,733,175 | \$1,069,574 | \$663,601 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 158,205 | 162,447 | (4,242) |
| Due in More Than One Year | 1,518,254 | 1,720,412 | (202,158) |
| Total Liabilities | 3,409,634 | 2,952,433 | 457,201 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 2,603,038 | 2,008,216 | 594,822 |
| Restricted | 461,122 | 324,056 | 137,066 |
| Unrestricted | 263,325 | 430,620 | (167,295) |
| Total Net Assets | \$3,327,485 | \$2,762,892 | \$564,593 |

Depreciable Capital Assets, Net increased \$372,085 and Nondepreciable Capital Assets increased \$193,840, largely due to increases in property acquisition and building improvements relating to community improvement projects.

Total Liabilities increased due to the issuance of Bond Anticipation Notes.

Total Net Assets increased \$564,593, which is due primarily to community improvement projects where the City is receiving additional grant monies and investing in capital assets. Invested in Capital Assets, Net of Related Debt increased \$594,822 due primarily to current year capital assets additions and principal payments made on debt related to capital assets construction exceeding current year depreciation.

Unrestricted Net Assets decreased \$167,295 due to decreases in state entitlement monies and interest revenues, along with increases in expenditures for community environment over the prior year.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Table 2 shows the changes in net assets for the year ended December 31, 2009 compared to 2008.

Table 2
Change in Net Assets

| | Governmental Activities | | |
|--------------------------------------|-------------------------|--------------------|------------------|
| | 2009 | 2008 | Change |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services and Sales | \$1,085,561 | \$947,680 | \$137,881 |
| Operating Grants and Contributions | 370,261 | 347,168 | 23,093 |
| Capital Grants and Contributions | 701,599 | 24,200 | 677,399 |
| Total Program Revenues | 2,157,421 | 1,319,048 | 838,373 |
| General Revenues | | | |
| Property Taxes | 851,466 | 860,159 | (8,693) |
| Income Taxes | 1,418,511 | 1,332,658 | 85,853 |
| Other Local Taxes | 61,621 | 60,442 | 1,179 |
| Grants and Entitlements | | | |
| not Restricted for Specific Purposes | 190,381 | 298,246 | (107,865) |
| Gain on Sale of Capital Assets | 0 | 1,005 | (1,005) |
| Unrestricted Interest | 361 | 4,327 | (3,966) |
| Unrestricted Contributions | 0 | 133,180 | (133,180) |
| Other | 142,318 | 68,555 | 73,763 |
| Total General Revenues | 2,664,658 | 2,758,572 | (93,914) |
| Total Revenues | 4,822,079 | 4,077,620 | 744,459 |
| Program Expenses | | | |
| General Government | 656,370 | 595,752 | 60,618 |
| Security of Persons and Property | 1,840,153 | 1,867,610 | (27,457) |
| Public Works | 415,220 | 465,512 | (50,292) |
| Leisure Time Activities | 205,112 | 240,100 | (34,988) |
| Community Environment | 269,812 | 133,235 | 136,577 |
| Transportation | 784,483 | 768,906 | 15,577 |
| Interest and Fiscal Charges | 86,336 | 69,078 | 17,258 |
| Total Expenses | 4,257,486 | 4,140,193 | 117,293 |
| Change in Net Assets | 564,593 | (62,573) | 627,166 |
| Net Assets at Beginning of Year | 2,762,892 | 2,825,465 | (62,573) |
| Net Assets at End of Year | \$3,327,485 | \$2,762,892 | \$564,593 |

Governmental Activities

Charges for Services and Sales increased \$137,881, due primarily to the Mt. Healthy City School District reimbursing the City for improvements done on the School District's waterlines.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Unrestricted Contributions decreased \$133,180 during 2009. The City received donated property from Housing and Urban Development during 2008, which caused Unrestricted Contributions to be significantly higher during 2008. The City had no Unrestricted Contributions during 2009.

Community Environment increased \$136,577 due primarily to an increase in community improvement projects that the City implemented during 2009.

The 1.5 percent income tax is the largest source of revenue for the General Fund and the City of Mt. Healthy. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

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

The City's Funds

Information about the City's major governmental funds begins on page 10. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,574,677 and expenditures of \$5,044,549. The General Fund's balance increased \$124,893, which is not significant. The Safety Tax Fund's balance decreased \$13,441 due to a general increase in expenditures related to operating the fire department. The Capital Improvement Fund's balance decreased \$95,516 due primarily to the City's community improvement projects. The CMHA Projects Fund's balance decreased \$310,154 due to an increase in notes payable related to community improvement projects.

General Fund Budgeting Highlights

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

Original General Fund budgeted revenues were \$3,015,050. The final budgeted amount was \$3,101,050, which is an increase of \$86,000. This increase is due to the City anticipating additional revenues from various sources. Actual revenues were \$3,057,664 at year-end, which is a decrease of \$43,386 over final budgeted revenues. This decrease is mainly due to a reduction in estate taxes during the year.

Original General Fund appropriations were \$2,584,042 and final appropriations were \$2,719,041 for an increase of \$134,999. This increase was done to ensure that the City's budget was in line with rising expenditures throughout the year. The City's actual expenditures were \$2,690,781 at year-end, which is a decrease of \$28,260 from final budgeted expenditures due to the City closely monitoring the budget during the year.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the City had \$4,099,002 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$565,925 from the prior year. The increase in capital assets is largely due to increases in property acquisition and building improvements relating to community improvement projects. See Note 9 of the notes to the basic financial statements for more detailed information on capital assets.

Debt

At December 31, 2009, the City had \$1,072,000 in general obligation bonds and \$915,000 in bond anticipation notes outstanding, of which \$503,533 are short-term obligations. The City's long-term obligations also included compensated absences of \$133,388, police pension liability of \$47,107, and capital leases of \$12,497.

The City's overall 10.5 percent legal debt margin was \$7,655,975 as of December 31, 2009. The more restrictive unvoted legal debt margin was \$3,064,109 as of the same date.

See Notes 16 and 17 of the notes to the basic financial statements for more detailed information.

Current Financial Challenges and Initiatives

On March 22, 2010, the City reissued a portion of the Property Acquisition Bond Anticipation Note in the amount of \$515,000 at a rate of 3.00 percent and paid \$103,533 against the principal amount. The note will mature on March 21, 2011. On March 30, 2010, the City issued a Property Acquisition Bond Anticipation Note in the amount of \$250,000 at a rate of 3.90 percent. The note will mature on March 29, 2011.

Contacting the City's Finance Department

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

City of Mt. Healthy, Ohio
Statement of Net Assets
December 31, 2009

| | Primary Government Governmental Activities | Component Unit Mt. Healthy Community Improvement Corporation |
|---|---|---|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$539,864 | \$53,626 |
| Accounts Receivable | 30,503 | 0 |
| Income Taxes Receivable | 478,027 | 0 |
| Intergovernmental Receivable | 598,789 | 0 |
| Other Local Taxes Receivable | 13,892 | 0 |
| Property Taxes Receivable | 977,042 | 0 |
| Nondepreciable Capital Assets | 488,830 | 0 |
| Depreciable Capital Assets, Net | 3,610,172 | 0 |
| Total Assets | 6,737,119 | 53,626 |
| Liabilities | | |
| Accounts Payable | 58,508 | 0 |
| Accrued Wages and Benefits Payable | 22,135 | 0 |
| Compensatory Time Payable | 11,511 | 0 |
| Intergovernmental Payable | 69,467 | 0 |
| Contracts Payable | 112,827 | 0 |
| Retainage Payable | 20,332 | 0 |
| Accrued Interest Payable | 18,242 | 0 |
| Deferred Revenue | 916,620 | 0 |
| Notes Payable | 503,533 | 0 |
| Long-Term Liabilities: | | |
| Due Within One Year | 158,205 | 0 |
| Due in More Than One Year | 1,518,254 | 0 |
| Total Liabilities | 3,409,634 | 0 |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 2,603,038 | 0 |
| Restricted for: | | |
| Capital Outlay | 294,464 | 0 |
| Transportation | 110,743 | 0 |
| Security of Persons and Property | 55,882 | 0 |
| Leisure Time Activities | 33 | 0 |
| Unrestricted | 263,325 | 53,626 |
| Total Net Assets | \$3,327,485 | \$53,626 |

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Activities
For the Year Ended December 31, 2009

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | |
|---|--------------------|--------------------------------------|---------------------------------------|-------------------------------------|--|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Component Unit Mt. Healthy Community Improvement Corporation |
| Governmental Activities | | | | | | |
| General Government | \$656,370 | \$236,834 | \$0 | \$64,814 | (\$354,722) | \$0 |
| Security of Persons and Property | 1,840,153 | 194,912 | 60,625 | 0 | (1,584,616) | 0 |
| Public Works | 415,220 | 333,115 | 0 | 0 | (82,105) | 0 |
| Leisure Time Activities | 205,112 | 26,853 | 0 | 0 | (178,259) | 0 |
| Community Environment | 269,812 | 177,742 | 2,054 | 290,000 | 199,984 | 0 |
| Transportation | 784,483 | 116,105 | 307,582 | 346,785 | (14,011) | 0 |
| Interest and Fiscal Charges | 86,336 | 0 | 0 | 0 | (86,336) | 0 |
| Total Governmental Activities | <u>\$4,257,486</u> | <u>\$1,085,561</u> | <u>\$370,261</u> | <u>\$701,599</u> | <u>(2,100,065)</u> | <u>0</u> |
| Component Unit | | | | | | |
| Mt. Healthy Community Improvement Corporation | <u>\$27,912</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | | <u>(27,912)</u> |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes Levied for: | | | | | | |
| General Purposes | | | | | 366,623 | 0 |
| Capital Outlay | | | | | 81,801 | 0 |
| Security of Persons and Property | | | | | 403,042 | 0 |
| Income Taxes | | | | | 1,418,511 | 0 |
| Other Local Taxes | | | | | 61,621 | 0 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 190,381 | 0 |
| Unrestricted Interest | | | | | 361 | 44 |
| Other | | | | | 142,318 | 28,625 |
| Total General Revenues | | | | | <u>2,664,658</u> | <u>28,669</u> |
| Change in Net Assets | | | | | 564,593 | 757 |
| Net Assets at Beginning of Year | | | | | <u>2,762,892</u> | <u>52,869</u> |
| Net Assets at End of Year | | | | | <u>\$3,327,485</u> | <u>\$53,626</u> |

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Balance Sheet
Governmental Funds
December 31, 2009

| | General Fund | Safety Tax Fund | Capital Improvement Fund | CMHA Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|--------------------------------|--------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$233,872 | \$29,738 | \$45,814 | \$92,809 | \$137,631 | \$539,864 |
| Intergovernmental Receivable | 243,051 | 23,852 | 130,238 | 0 | 201,648 | 598,789 |
| Income Taxes Receivable | 478,027 | 0 | 0 | 0 | 0 | 478,027 |
| Property Taxes Receivable | 423,638 | 434,025 | 119,379 | 0 | 0 | 977,042 |
| Other Local Taxes Receivable | 13,892 | 0 | 0 | 0 | 0 | 13,892 |
| Accounts Receivable | 30,503 | 0 | 0 | 0 | 0 | 30,503 |
| Total Assets | \$1,422,983 | \$487,615 | \$295,431 | \$92,809 | \$339,279 | \$2,638,117 |
| Liabilities | | | | | | |
| Accounts Payable | \$42,306 | \$8,994 | \$0 | \$0 | \$7,208 | \$58,508 |
| Accrued Wages and Benefits Payable | 14,563 | 5,062 | 0 | 0 | 2,510 | 22,135 |
| Contracts Payable | 0 | 0 | 112,827 | 0 | 0 | 112,827 |
| Intergovernmental Payable | 56,656 | 8,194 | 0 | 0 | 4,617 | 69,467 |
| Accrued Interest Payable | 0 | 0 | 0 | 2,963 | 2,426 | 5,389 |
| Retainage Payable | 0 | 0 | 20,332 | 0 | 0 | 20,332 |
| Deferred Revenue | 982,092 | 457,877 | 142,482 | 0 | 152,472 | 1,734,923 |
| Notes Payable | 0 | 0 | 0 | 400,000 | 103,533 | 503,533 |
| Total Liabilities | 1,095,617 | 480,127 | 275,641 | 402,963 | 272,766 | 2,527,114 |
| Fund Balances | | | | | | |
| Unreserved, Undesignated (Deficit), Reported in: | | | | | | |
| General Fund | 327,366 | 0 | 0 | 0 | 0 | 327,366 |
| Special Revenue Funds | 0 | 7,488 | 0 | 0 | 39,706 | 47,194 |
| Debt Service Fund | 0 | 0 | 0 | 0 | 56 | 56 |
| Capital Projects Funds | 0 | 0 | 19,790 | (310,154) | 26,751 | (263,613) |
| Total Fund Balances (Deficit) | 327,366 | 7,488 | 19,790 | (310,154) | 66,513 | 111,003 |
| Total Liabilities and Fund Balances | \$1,422,983 | \$487,615 | \$295,431 | \$92,809 | \$339,279 | \$2,638,117 |

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2009

Total Governmental Fund Balances \$111,003

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

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

| | | |
|--------------------------|--------------------|-----------|
| Land | 488,830 | |
| Infrastructure | 1,866,125 | |
| Other Capital Assets | 4,138,167 | |
| Accumulated Depreciation | <u>(2,394,120)</u> | |
| Total Capital Assets | | 4,099,002 |

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

| | | |
|---------------------------|----------------|---------|
| Delinquent Property Taxes | 60,422 | |
| Intergovernmental | 413,989 | |
| Income Taxes | <u>343,892</u> | |
| | | 818,303 |

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

| | | |
|----------------------|------------------|-------------|
| Capital leases | (12,497) | |
| Notes | (411,467) | |
| Bonds | (1,072,000) | |
| Police Pension | (47,107) | |
| Compensated absences | <u>(133,388)</u> | |
| Total Liabilities | | (1,676,459) |

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

| | | |
|---------------------------|-----------------|-----------------|
| Accrued Interest | (12,853) | |
| Compensatory Time Payable | <u>(11,511)</u> | |
| | | <u>(24,364)</u> |

Net Assets of Governmental Activities 3,327,485

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

| | General Fund | Safety Tax Fund | Capital Improvement Fund | CMHA Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|------------------|--------------------|--------------------------------|--------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | | |
| Property Taxes | \$370,939 | \$384,773 | \$105,738 | \$0 | \$0 | \$861,450 |
| Income Taxes | 1,385,972 | 0 | 0 | 0 | 0 | 1,385,972 |
| Other Local Taxes | 61,621 | 0 | 0 | 0 | 0 | 61,621 |
| Charges for Services | 551,007 | 0 | 116,105 | 0 | 41,140 | 708,252 |
| Fines, Licenses and Permits | 372,558 | 0 | 0 | 0 | 1,551 | 374,109 |
| Intergovernmental | 203,706 | 45,670 | 218,543 | 0 | 567,421 | 1,035,340 |
| Interest | 361 | 0 | 0 | 0 | 0 | 361 |
| Rent | 3,200 | 0 | 0 | 0 | 0 | 3,200 |
| Donations | 2,054 | 0 | 0 | 0 | 0 | 2,054 |
| Other | 137,301 | 435 | 0 | 0 | 4,582 | 142,318 |
| Total Revenues | 3,088,719 | 430,878 | 440,386 | 0 | 614,694 | 4,574,677 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 646,190 | 0 | 0 | 0 | 116 | 646,306 |
| Security of Persons and Property | 1,280,518 | 519,319 | 0 | 0 | 1,401 | 1,801,238 |
| Public Works | 415,220 | 0 | 0 | 0 | 0 | 415,220 |
| Leisure Time Activities | 157,764 | 0 | 0 | 0 | 1,000 | 158,764 |
| Community Environment | 108,354 | 0 | 0 | 0 | 0 | 108,354 |
| Transportation | 0 | 0 | 402,743 | 0 | 341,311 | 744,054 |
| Capital Outlay | 10,716 | 0 | 133,159 | 307,191 | 420,241 | 871,307 |
| Debt Service: | | | | | | |
| Principal Retirement | 7,632 | 0 | 0 | 0 | 106,000 | 113,632 |
| Interest and Fiscal Charges | 2,731 | 0 | 0 | 2,963 | 76,447 | 82,141 |
| Current Refunding | 0 | 0 | 0 | 0 | 103,533 | 103,533 |
| Total Expenditures | 2,629,125 | 519,319 | 535,902 | 310,154 | 1,050,049 | 5,044,549 |
| Excess of Revenues Over (Under) Expenditures | 459,594 | (88,441) | (95,516) | (310,154) | (435,355) | (469,872) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 0 | 75,000 | 0 | 0 | 267,203 | 342,203 |
| Notes Issued | 0 | 0 | 0 | 0 | 411,467 | 411,467 |
| Inception of Capital Lease | 7,502 | 0 | 0 | 0 | 0 | 7,502 |
| Transfers Out | (342,203) | 0 | 0 | 0 | 0 | (342,203) |
| Current Refunding | 0 | 0 | 0 | 0 | (396,467) | (396,467) |
| Total Other Financing Sources (Uses) | (334,701) | 75,000 | 0 | 0 | 282,203 | 22,502 |
| Net Change in Fund Balances | 124,893 | (13,441) | (95,516) | (310,154) | (153,152) | (447,370) |
| Fund Balances at Beginning of Year | 202,473 | 20,929 | 115,306 | 0 | 219,665 | 558,373 |
| Fund Balances (Deficit) at End of Year | \$327,366 | \$7,488 | \$19,790 | (\$310,154) | \$66,513 | \$111,003 |

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2009

| | | |
|---|-----------|-------------|
| Net Change in Fund Balances - Total Governmental Funds | | (\$447,370) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p> | | |
| Capital Assets Additions | 950,906 | |
| Current Year Depreciation | (253,485) | 697,421 |
| <p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.</p> | | |
| Loss on Disposal of Capital Assets | | (131,496) |
| <p>Because some revenues will not be collected for several months after the City's year-end, they are not considered "available" revenues and are deferred in the governmental funds.</p> | | |
| Property Taxes | (9,984) | |
| Intergovernmental | 224,847 | |
| Income Taxes | 32,539 | 247,402 |
| <p>Note proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities.</p> | | |
| Proceeds of Notes | | (411,467) |
| <p>Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.</p> | | |
| | | (7,502) |
| <p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:</p> | | |
| Bonds | 111,000 | |
| Note principal retirement | 500,000 | |
| Police Pension Liability | 1,012 | |
| Capital Leases | 1,620 | |
| Total Long-term Debt Repayment | | 613,632 |
| <p>Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p> | | |
| Increase in Compensatory Time Payable | (3,569) | |
| Decrease in Compensated Absences | 11,737 | |
| Increase in Accrued Interest | (4,195) | |
| Total Additional Expenditures | | 3,973 |
| Change in Net Assets of Governmental Activities | | \$564,593 |

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2009

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| Revenues | | | | |
| Property Taxes | \$358,250 | \$372,770 | \$370,939 | (\$1,831) |
| Income Taxes | 1,358,451 | 1,395,000 | 1,369,382 | (25,618) |
| Other Local Taxes | 57,454 | 59,000 | 62,792 | 3,792 |
| Charges for Services | 520,391 | 534,392 | 549,560 | 15,168 |
| Fines, Licenses and Permits | 347,647 | 357,000 | 364,232 | 7,232 |
| Intergovernmental | 278,495 | 285,988 | 197,683 | (88,305) |
| Interest | 6,817 | 7,000 | 413 | (6,587) |
| Rent | 3,895 | 4,000 | 3,200 | (800) |
| Donations | 1,461 | 1,500 | 2,054 | 554 |
| Other | 82,189 | 84,400 | 137,409 | 53,009 |
| Total Revenues | 3,015,050 | 3,101,050 | 3,057,664 | (43,386) |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 605,861 | 644,371 | 636,883 | 7,488 |
| Security of Persons and Property | 1,297,605 | 1,344,785 | 1,328,924 | 15,861 |
| Public Works | 434,664 | 450,211 | 447,994 | 2,217 |
| Leisure Time Activities | 154,072 | 157,026 | 156,668 | 358 |
| Community Environment | 91,840 | 110,690 | 108,354 | 2,336 |
| Capital Outlay | 0 | 3,215 | 3,215 | 0 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 6,012 | 6,012 | 0 |
| Interest and Fiscal Charges | 0 | 2,731 | 2,731 | 0 |
| Total Expenditures | 2,584,042 | 2,719,041 | 2,690,781 | 28,260 |
| Excess of Revenues Over (Under) Expenditures | 431,008 | 382,009 | 366,883 | (15,126) |
| Other Financing Uses | | | | |
| Transfers Out | (429,928) | (350,603) | (342,203) | 8,400 |
| Net Change in Fund Balance | 1,080 | 31,406 | 24,680 | (6,726) |
| Fund Balance at Beginning of Year | 185,048 | 185,048 | 185,048 | 0 |
| Prior Year Encumbrances Appropriated | 624 | 624 | 624 | 0 |
| Fund Balance at End of Year | \$186,752 | \$217,078 | \$210,352 | (\$6,726) |

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Safety Tax Fund
For the Year Ended December 31, 2009

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-----------------|-----------------|----------------------------------|
| Revenues | | | | |
| Property Taxes | \$366,322 | \$386,115 | \$384,773 | (\$1,342) |
| Intergovernmental | 50,385 | 43,211 | 45,670 | 2,459 |
| Other | 1,166 | 1,000 | 435 | (565) |
| Total Revenues | 417,873 | 430,326 | 430,878 | 552 |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | 516,329 | 523,213 | 523,168 | 45 |
| Excess of Revenues Over (Under) Expenditures | (98,456) | (92,887) | (92,290) | 597 |
| Other Financing Sources | | | | |
| Transfers In | 87,453 | 75,000 | 75,000 | 0 |
| Net Change in Fund Balance | (11,003) | (17,887) | (17,290) | 597 |
| Fund Balance at Beginning of Year | 47,028 | 47,028 | 47,028 | 0 |
| Fund Balance at End of Year | <u>\$36,025</u> | <u>\$29,141</u> | <u>\$29,738</u> | <u>\$597</u> |

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2009

Assets

Current Assets:

| | |
|--|---------|
| Equity in Pooled Cash and Cash Equivalents | \$8,055 |
|--|---------|

Liabilities

| | |
|---------------------------|---------|
| Intergovernmental Payable | \$6,305 |
|---------------------------|---------|

| | |
|----------------------|-------|
| Undistributed Monies | 1,750 |
|----------------------|-------|

| | |
|-------------------|---------|
| Total Liabilities | \$8,055 |
|-------------------|---------|

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Reporting Entity

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

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

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

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

The CIC was created as a not-for-profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC was established in January, 1990, for the purpose of acquiring and developing real property located in the City of Mt. Healthy to increase the opportunities for employment and strengthen the economic development of the City. The CIC's original cash balances were established from the sale of property that was donated by the City, and the City occasionally provides funding for the purchase of properties to be restored and resold by the CIC. The CIC is governed by a nine member Board of Trustees, six of which are elected or appointed officials of the City. Based on the City's history of providing financial support to the CIC and the City's appointment of a voting majority of the CIC board, the CIC is presented as a component unit of the City. Separately issued financial statements can be obtained from the Mt. Healthy Community Improvement Corporation, 7700 Perry St., Mt. Healthy, Ohio 75231.

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

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

The City participates in two organizations which are defined as jointly governed organizations and one which is defined as a joint venture. These organizations are the Center for Local Government, the Hamilton County Municipal League, and the Joint Economic Development District. These organizations are presented in Note 18 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements normally distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities; however, the City has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

Fund Accounting

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Governmental Funds

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

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

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

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

CMHA Projects Fund - The CMHA Projects Fund is used to account for monies received from bond anticipation notes issued for community improvement projects.

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

Fiduciary Funds

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 31 days of year-end.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes and intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), licenses, permits and fees, and grants.

Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but were levied to finance 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are reported on the financial statements as cash equivalents. The City had no investments during the year or as of December 31, 2009.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2009 amounted to \$361, which includes \$175 assigned from other City funds.

Internal Activities

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

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

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

Capital Assets

All of the City's capital assets are classified as general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as incurred.

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

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

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated, unused vacation time when earned for all employees with more than one year of service.

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

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

Accrued Liabilities and Long-Term Debt

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, bonds, capital leases, and the police pension liability are recognized as liabilities on the governmental fund financial statements when due.

Net Assets

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

Estimates

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

Budgets and Budgetary Accounting

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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 Council during the year, including all supplemental appropriations.

NOTE 3 – ACCOUNTABILITY

The CMHA Projects and the Taxable BAN Capital Projects Funds had deficit fund balances of \$310,154 and \$2,426, respectively, for the year ended December 31, 2009. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 – BUDGET TO GAAP RECONCILIATION

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

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

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 4 – BUDGET TO GAAP RECONCILIATION (continued)

- c. Unrecorded cash represents amounts received but not included on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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

| Net Change in Fund Balance | | |
|----------------------------|-----------------|-------------------|
| | General | Safety Tax |
| GAAP Basis | \$124,893 | (\$13,441) |
| Revenue Accruals | (31,055) | 0 |
| Expenditure Accruals | (61,656) | (3,849) |
| Other Sources and Uses | (7,502) | 0 |
| Budget Basis | <u>\$24,680</u> | <u>(\$17,290)</u> |

NOTE 5 – DEPOSITS AND INVESTMENTS

The investment and deposit of City monies are governed by the Ohio Revised Code. State statutes classify monies held by the City into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Commercial paper and bankers acceptances if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and
7. The State Treasurer's investment pool (STAROhio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenues received in 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange 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 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Tangible personal property taxes paid 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.

The full tax rate for all City operations for the year ended December 31, 2009, was \$11.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> | <u>Percentage</u> |
|--------------------------------------|-----------------------|-------------------|
| Real Property | | |
| Residential/Agricultural | \$58,936,480 | 64.17% |
| Commercial/Industrial/Public Utility | 28,064,260 | 30.56% |
| Public Utility Personal | 4,432,280 | 4.83% |
| General Business Personal | 404,300 | 0.44% |
| Total Property Taxes | <u>\$91,837,320</u> | <u>100.00%</u> |

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 6 – PROPERTY TAXES (continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7 – INCOME TAX

The City levies a municipal income tax of 1.5 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 83 percent of the City's current tax rate.

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

In 2009, income tax proceeds were allocated to the General Fund.

NOTE 8 – RECEIVABLES

Receivables as of December 31, 2009, consisted of taxes, accounts, intergovernmental receivables arising from grants, entitlements, fines, fees and shared revenues. All receivables, except property and income taxes, are considered fully collectible and will be collected within one year. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 8 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

| <u>Governmental Activities</u> | <u>Amount</u> |
|---------------------------------------|-------------------------|
| Homestead and Rollback | \$51,935 |
| Estate Tax | 11,459 |
| Tangible Property Tax Reimbursement | 3,991 |
| Undivided Local Government | 8,416 |
| Shared Income | 48,360 |
| State Gasoline Excise Tax | 30,390 |
| Permissive Motor Vehicle License Tax | 51,062 |
| Gasoline Cents Per Gallon | 63,294 |
| Hamilton County Community Development | 151,785 |
| Neighborhood Stabilization Program | 51,845 |
| Ohio Public Works | 123,409 |
| Recycling Reimbursement | 2,843 |
| Total | <u><u>\$598,789</u></u> |

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2009, was as follows:

| | <u>Balance At</u> <u>12/31/2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance At</u> <u>12/31/2009</u> |
|---|--|-------------------------|---------------------------|--|
| <u>Governmental Activities</u> | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$294,990 | \$193,840 | \$0 | \$488,830 |
| Depreciable Capital Assets: | | | | |
| Land/Site Improvements | 436,384 | 0 | 0 | 436,384 |
| Buildings and Building Improvements | 1,539,990 | 445,508 | (138,417) | 1,847,081 |
| Equipment and Vehicles | 1,847,200 | 7,502 | 0 | 1,854,702 |
| Infrastructure | 1,562,069 | 304,056 | 0 | 1,866,125 |
| Total Depreciable Capital Assets | <u>5,385,643</u> | <u>757,066</u> | <u>(138,417)</u> | <u>6,004,292</u> |
| Less Accumulated Depreciation: | | | | |
| Land/Site Improvements | (146,661) | (21,423) | 0 | (168,084) |
| Buildings and Building Improvements | (327,477) | (53,615) | 6,921 | (374,171) |
| Equipment and Vehicles | (1,437,813) | (84,738) | 0 | (1,522,551) |
| Infrastructure | (235,605) | (93,709) | 0 | (329,314) |
| Total Accumulated Depreciation | <u>(2,147,556)</u> | <u>(253,485)*</u> | <u>6,921</u> | <u>(2,394,120)</u> |
| Depreciable Capital Assets, Net | <u>3,238,087</u> | <u>503,581</u> | <u>(131,496)</u> | <u>3,610,172</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$3,533,077</u></u> | <u><u>\$697,421</u></u> | <u><u>(\$131,496)</u></u> | <u><u>\$4,099,002</u></u> |

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 9 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental programs as follows:

| | |
|----------------------------------|-------------------------|
| General Government | \$7,320 |
| Security of Persons and Property | 46,334 |
| Leisure Time Activities | 47,973 |
| Community Environment | 29,962 |
| Transportation | 121,896 |
| Total Depreciation Expense | <u><u>\$253,485</u></u> |

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

The City's 2009 contribution rate was 14.0 percent, except public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$52,883, \$50,886, and \$50,328, respectively; 89.56 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$202 made by the City and \$114 made by plan members.

Ohio Police and Fire Pension Fund

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

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$67,249 and \$6,474, respectively, for the year ended December 31, 2009, \$83,190 and \$7,657, respectively, for the year ended December 31, 2008, and \$89,807 and \$7,306, respectively, for the year ended December 31, 2007. 91.95 percent for police and 91.90 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

NOTE 11 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$34,219, \$50,886, and \$50,328, respectively; 89.56 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund

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

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

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

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$35,602 and \$2,533, respectively, for the year ended December 31, 2009, \$44,042 and \$2,996, respectively, for the year ended December 31, 2008, and \$47,545 and \$2,859, respectively, for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 91.95 percent has been contributed for police and 91.90 percent has been contributed for firefighters for 2009.

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

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

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

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 12 – OTHER EMPLOYEE BENEFITS (continued)

Insurance Benefits

The City has elected to provide employee medical/surgical and life insurance benefits through Medical Mutual of Ohio. The City pays 100 percent of the monthly premium for all full-time employees under the family plan and the single plan. The City pays 75 percent of the monthly premium for spouses and dependents of full-time employees under the family plan. The City provides employee dental insurance through Dental Care Plus. The City pays 100 percent of dental insurance for all full-time employees and their families.

Deferred Compensation

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

NOTE 13 – RISK MANAGEMENT

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

NOTE 14 – TRANSFERS FROM/TO OTHER FUNDS

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

| | | Transfers To | | |
|----------------|--------------|--------------------|-----------------------------------|------------------|
| | | Safety Tax Fund | Nonmajor Governmental Funds | Total |
| Transfers From | General Fund | <u>\$75,000</u> | <u>\$267,203</u> | <u>\$342,203</u> |

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

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

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

NOTE 15 – CAPITAL LEASE

During 2009, the City entered into a capitalized lease for a copier machine in the amount of \$7,502. During 2008, the City entered into a capitalized lease for a copier machine in the amount of \$8,100. These leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. These leases are interest free. Principal payments in fiscal year 2009 totaled \$1,620.

Capital lease payments have been reclassified and are reflected as a debt service expenditure in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The assets acquired through capital leases as of December 31, 2009, are as follows:

| | Asset Value | Accumulated Depreciation | Net Book Value |
|----------------------------------|----------------|-----------------------------|-------------------|
| Asset: | | | |
| Equipment and vehicles (copiers) | \$15,602 | (\$4,740) | \$10,862 |

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2009:

| Year Ending December 31, | Amount |
|---|----------|
| 2010 | \$3,049 |
| 2011 | 3,049 |
| 2012 | 3,049 |
| 2013 | 1,564 |
| 2014 | 1,429 |
| 2015 | 357 |
| Present Value of Net Minimum Lease Payments | \$12,497 |

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 16 – LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2009 were as follows:

| | Balance at December 31, 2008 | Issued | Retired | Balance at December 31, 2009 | Amounts Due in One Year |
|--|------------------------------------|------------------|------------------|------------------------------------|-------------------------------|
| <u>General Obligation Bonds:</u> | | | | | |
| Valley Auto Theater Property Bonds | | | | | |
| 7.50% - 1990 | \$30,000 | \$0 | \$15,000 | \$15,000 | \$15,000 |
| Aquatic Facilities Bonds | | | | | |
| 2.00% to 5.00% - 2002 | 1,025,000 | 0 | 60,000 | 965,000 | 60,000 |
| Park Improvement Bonds | | | | | |
| 3.89% - 2006 | 48,000 | 0 | 16,000 | 32,000 | 16,000 |
| Various Purpose Bonds | | | | | |
| 3.98% - 2007 | 80,000 | 0 | 20,000 | 60,000 | 20,000 |
| Total - General Obligation Bonds | <u>1,183,000</u> | <u>0</u> | <u>111,000</u> | <u>1,072,000</u> | <u>111,000</u> |
| <u>Bond Anticipation Notes:</u> | | | | | |
| Property Acquisition Bond Anticipation | | | | | |
| Notes \$515,000, 3.00% - 2009 | 0 | 411,467 | 0 | 411,467 | 0 |
| <u>Other Long-Term Obligations:</u> | | | | | |
| Compensated Absences | 145,125 | 55,228 | 66,965 | 133,388 | 43,101 |
| Capital Leases Payable | 6,615 | 7,502 | 1,620 | 12,497 | 3,049 |
| Police Pension Liability | 48,119 | 0 | 1,012 | 47,107 | 1,055 |
| Total - Other Long-Term Obligations | <u>199,859</u> | <u>62,730</u> | <u>69,597</u> | <u>192,992</u> | <u>47,205</u> |
| Total - General Long-Term Obligations | <u>\$1,382,859</u> | <u>\$474,197</u> | <u>\$180,597</u> | <u>\$1,676,459</u> | <u>\$158,205</u> |

The Valley Auto Theater Property Bonds were issued in 1990 in the amount of \$300,000 for a period of 20 years. The bonds were issued at a 7.5 percent interest rate with final maturity on June 15, 2010. Interest is paid semiannually. The bond issue will be repaid from the Compton Road Capital Projects Fund.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

The Aquatic Facilities Bonds were issued on April 30, 2002 in the amount of \$1,250,000 for a period of 20 years. The bonds were issued at interest rates ranging from 2.0 percent to 5.0 percent, with final maturity on December 1, 2021. Interest is paid semi-annually. The bond issue was used to retire the Aquatic and Community Facility Bond Anticipation Notes. The bond issue will be repaid from General Fund monies transferred to the Debt Service Fund.

On December 20, 2006, the City issued five year Park Improvement General Obligation Bonds for \$80,000. The bonds have an interest rate of 3.89 percent and are due to mature December 1, 2011. The bonds were issued for the purpose of acquiring and constructing various park improvements and related appurtenances within the City. The bond issue will be repaid from General Fund monies transferred to the Debt Service Fund.

On March 30, 2007, the City issued Various Purpose Bonds for \$100,000. The bonds have an interest rate of 3.98 percent and are due to mature March 30, 2011. The bonds were issued for the purpose of acquiring a new truck and computers for the City. The bonds will be repaid from the General Fund and the Street Maintenance and Repair Special Revenue Fund.

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

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

As of December 31, 2009, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,655,975, and the unvoted legal debt margin was \$3,064,109.

On March 25, 2009, the City issued a Bond Anticipation Note in the amount of \$515,000 to refund the Bond Anticipation Note issued March 27, 2008. The note has an interest rate of 3.00 percent and is due to mature March 24, 2010. The note was issued for the purpose of property acquisition and community improvements for the City. The long-term portion of this note equaled \$411,467.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2009, are:

| | General Obligation Bonds | |
|-----------|-----------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$111,000 | \$54,497 |
| 2011 | 101,000 | 49,966 |
| 2012 | 85,000 | 45,785 |
| 2013 | 70,000 | 42,625 |
| 2014 | 75,000 | 38,775 |
| 2015-2019 | 425,000 | 129,250 |
| 2020-2021 | 205,000 | 17,050 |
| Total | <u>\$1,072,000</u> | <u>\$377,948</u> |

Principal and interest requirements to retire the City's police pension obligation at December 31, 2009, are:

| | Police Pension | |
|-----------|------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$1,055 | \$1,991 |
| 2011 | 1,101 | 1,946 |
| 2012 | 1,148 | 1,898 |
| 2013 | 1,197 | 1,849 |
| 2014 | 1,249 | 1,798 |
| 2015-2019 | 7,096 | 8,135 |
| 2020-2024 | 8,757 | 6,475 |
| 2025-2029 | 10,809 | 4,426 |
| 2030-2034 | 13,335 | 1,897 |
| 2035 | 1,360 | 29 |
| Total | <u>\$47,107</u> | <u>\$30,444</u> |

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 17 – SHORT-TERM OBLIGATIONS

The City had the following short-term obligations outstanding at December 31, 2009:

| | Balance at December 31, 2008 | Issued | Retired | Balance at December 31, 2009 |
|---|------------------------------------|------------------|------------------|------------------------------------|
| <u>Bond Anticipation Notes:</u> | | | | |
| Property Acquisition Bond Anticipation Notes \$500,000, 2.05% - 2008 | \$500,000 | \$0 | \$500,000 | \$0 |
| Property Acquisition Bond Anticipation Notes \$515,000, 3.00% - 2009 | 0 | 103,533 | 0 | 103,533 |
| Property Acquisition Bond Anticipation Notes \$150,000, 3.90% - 2009 | 0 | 150,000 | 0 | 150,000 |
| Property Acquisition Bond Anticipation Notes \$250,000, 3.90% - 2009 | 0 | 250,000 | 0 | 250,000 |
| Total - Bond Anticipation Notes | <u>\$500,000</u> | <u>\$503,533</u> | <u>\$500,000</u> | <u>\$503,533</u> |

Bond anticipation notes are generally issued in anticipation of long-term bond financing and will be refinanced annually until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

On March 25, 2009, the City issued a Bond Anticipation Note in the amount of \$515,000 to refund the Bond Anticipation Notes issued March 27, 2008. The note has an interest rate of 3.00 percent and is due to mature on March 24, 2010. The note was issued for the purpose of property acquisition and community improvements for the City. The short-term portion of this note equaled \$103,533.

On September 30, 2009, the City issued a Bond Anticipation Note in the amount of \$150,000. The note has an interest rate of 3.90 percent and is due to mature September 29, 2010. The note was issued for the purpose of property acquisition and building rehabilitation for the City.

On December 2, 2009, the City issued a Bond Anticipation Note in the amount of \$250,000. The note has an interest rate of 3.90 percent and is due to mature on December 1, 2010. The note was issued for the purpose of property acquisition and building rehabilitation for the City.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE

Center for Local Government

The Center for Local Government (the Center) was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Center is governed by a five member board of trustees. Each of the trustees is the chief administrative officer of the entity that they represent. Trustees are volunteer members, ratified by the general members of the Center. The City does not have any financial interest in or responsibility for the Center. The amount the City contributed during 2009 was \$2,000. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio 45236.

Hamilton County Municipal League

The City participates in the Hamilton County Municipal League (HCML), a jointly governed organization. HCML members are represented by the Mayor or his designee from the incorporated municipalities of Hamilton County. Any member municipality may nominate for membership a municipality located outside Hamilton County. The purpose of the HCML is the furtherance of local government, the improvement of municipal government and services, promotion of general welfare of the cities and villages, to provide an opportunity for the municipalities to meet as a group for the discussion of mutual problems or special problems, and to provide training or educational programs as may be deemed appropriate.

The HCML charges an annual membership fee as determined by the Board of Directors and confirmed by a majority of the membership of the HCML. This Board consists of five officers elected by a majority vote and the Mayor of the City of Cincinnati or his designee. This Board was created to conduct the business of the HCML.

Any member may withdraw its membership upon written notice to the HCML. A member shall also cease to be a member in good standing if the dues are not paid at the annual meeting. If the organization were to dissolve, HCML's net assets would revert to the public bodies in proportion to each body's contribution towards the assets.

Payments to the HCML are made from the General Fund. The amount the City contributed during 2009 was \$1,182. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio 45227.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (continued)

Joint Economic Development District

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

NOTE 19 – CONTINGENT LIABILITIES

Litigation

The City is not party to any legal proceedings.

Federal and State Grants

For the period January 1, 2009 to December 31, 2009, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 20 – CONTRACTUAL COMMITMENTS

The City had the following contractual commitment outstanding as of December 31, 2009:

| Contractor/Project | Contract Amount | Amount Expended | Balance at 12/31/2009 |
|------------------------------|--------------------|--------------------|--------------------------|
| RSA Inc. - Park Improvements | \$11,250 | \$0 | \$11,250 |

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 21 – SUBSEQUENT EVENTS

On March 22, 2010, the City reissued a portion of the Property Acquisition Bond Anticipation Note in the amount of \$515,000 at a rate of 3.00 percent and paid \$103,533 against the principal amount. The note will mature on March 21, 2011. On March 30, 2010, the City issued a Property Acquisition Bond Anticipation Note in the amount of \$250,000 at a rate of 3.90 percent. The note will mature on March 29, 2011.

The City has evaluated subsequent events for potential recognition and disclosure through June 27, 2011, the date the financial statements were available to be issued.

NOTE 22 – MT. HEALTHY COMMUNITY IMPROVEMENT CORPORATION

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

Basis of Accounting

The CIC prepares financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues to the CIC consisted primarily of proceeds from the sale of property. The CIC's expenditures for 2009 were for the acquisition of property. The CIC had no investments as of December 31, 2009.

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

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

December 31, 2009

CITY OF MT. HEALTHY, OHIO

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

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

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

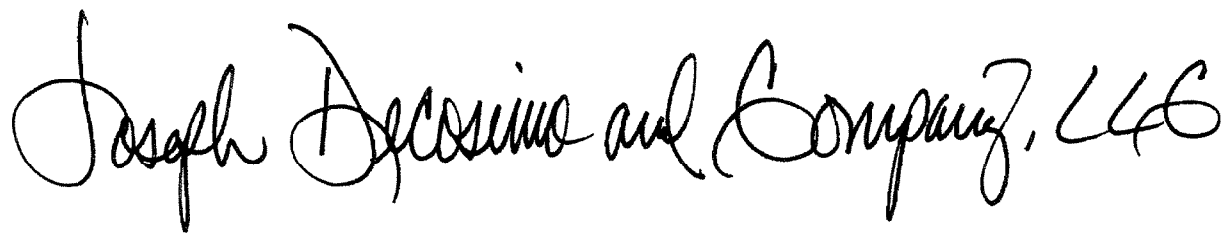
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

COMPLIANCE AND OTHER MATTERS

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

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

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

Cincinnati, Ohio
June 27, 2011

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2009**

None Reported

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid |
|----------------|--|------------------|---|
| 2008-001 | Ohio Revised Code Section 5705.41(B) violation: Expenditures exceeded final appropriations | Yes | |



Dave Yost • Auditor of State

CITY OF MT HEALTHY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 1, 2011