

MT. HEALTHY CITY SCHOOL DISTRICT



Basic Financial Statements

June 30, 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mt. Healthy City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 2, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Mt. Healthy City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt. Healthy City School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 18 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the District's internal control over financial reporting and 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* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 15, 2014

Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of Mt. Healthy City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net Position of governmental activities increased \$920,923 which represents a 1% increase from 2013.
- General revenues accounted for \$35,179,678 in revenue or 76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,808,498 or 24% of total revenues of \$45,988,176.
- The District had \$45,067,253 in expenses related to governmental activities; \$10,808,498 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$35,179,678 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

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

Fund Financial Statements

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

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

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

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

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

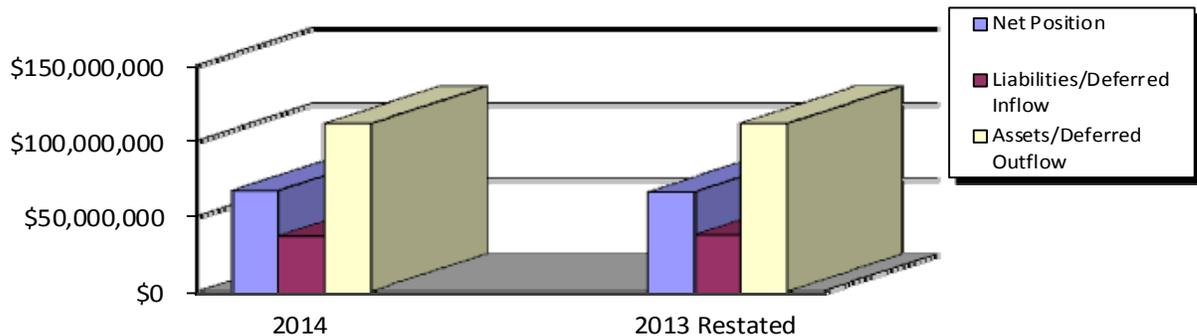
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

**Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 1
Net Position**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013 Restated</u>
Assets:		
Current and Other Assets	\$28,282,539	\$24,405,767
Capital Assets	<u>82,848,303</u>	<u>86,861,027</u>
Total Assets	<u>111,130,842</u>	<u>111,266,794</u>
Liabilities:		
Other Liabilities	4,342,876	4,011,630
Long-Term Liabilities	<u>32,350,434</u>	<u>33,310,828</u>
Total Liabilities	<u>36,693,310</u>	<u>37,322,458</u>
Total Deferred Inflows of Resources	<u>7,721,650</u>	<u>8,149,377</u>
Net Position:		
Net Investment in Capital Assets	52,155,452	55,270,289
Restricted	3,046,400	2,699,926
Unrestricted	<u>11,514,030</u>	<u>7,824,744</u>
Total Net Position	<u>\$66,715,882</u>	<u>\$65,794,959</u>



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$66,715,882.

At year-end, capital assets represented 75% of total assets. Capital assets include land, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2014, was \$52,155,452. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

A portion of the District's net position, \$3,046,400 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due current year depreciation expense exceeding current year additions. Long-Term Liabilities decreased mainly due to the District continuing to make principal payments on its long term debt obligations.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

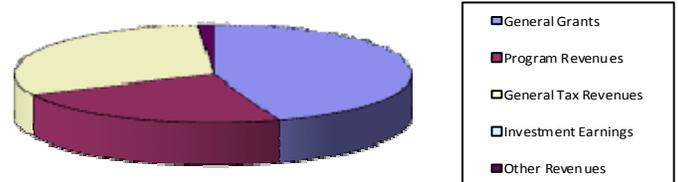
Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,157,924	\$1,162,513
Operating Grants, Contributions	9,650,574	8,758,817
General Revenues:		
Property Taxes	13,986,966	12,656,968
Grants and Entitlements	20,562,152	19,617,840
Other	630,560	562,152
Total Revenues	<u>45,988,176</u>	<u>42,758,290</u>
Program Expenses:		
Instruction	24,699,016	22,988,179
Support Services:		
Pupil and Instructional Staff	4,506,842	4,609,332
School Administrative, General		
Administration, Fiscal and Business	3,908,563	3,777,922
Operations and Maintenance	3,979,353	4,216,711
Pupil Transportation	3,210,276	3,163,775
Central	230,954	222,129
Operation of Non-Instructional Services	2,355,628	2,138,838
Extracurricular Activities	832,548	717,039
Interest and Fiscal Charges	1,344,073	1,394,354
Total Program Expenses	<u>45,067,253</u>	<u>43,228,279</u>
Change in Net Position	920,923	(469,989)
Net Position Beginning of Year	<u>65,794,959</u>	<u>66,264,948</u>
Net Position End of Year	<u>\$66,715,882</u>	<u>\$65,794,959</u>

**Mt. Healthy City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The District revenues are mainly from two sources. Property taxes levied for general, special revenue and capital project purposes and grants and entitlements comprised 75% of the District’s revenues for governmental activities. The District’s reliance upon tax revenues is demonstrated in the following graph:

Revenue Sources	2014	Percent of Total
General Grants	\$20,562,152	44.71%
Program Revenues	10,808,498	23.50%
General Tax Revenues	13,986,966	30.41%
Investment Earnings	29,469	0.07%
Other Revenues	601,091	1.31%
	<u>\$45,988,176</u>	<u>100.00%</u>



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

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 30% of revenue for governmental activities for the District in fiscal year 2014.

Operating Grants and Contributions increased mainly due to an increase in grants monies received in fiscal year 2014 as compared to fiscal year 2013. Total expenses increased mainly due to the increase in operating grants, which caused an increase in instruction and support staff expenses.

Instruction comprises 54.8% of governmental program expenses. Support services expenses were 35.2% of governmental program expenses. All other expenses including interest expense were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

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**Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$24,699,016	\$22,988,179	(\$17,941,735)	(\$17,359,150)
Support Services:				
Pupil and Instructional Staff	4,506,842	4,609,332	(3,488,495)	(2,888,438)
School Administrative, General				
Administration, Fiscal and Business	3,908,563	3,777,922	(3,651,432)	(3,648,488)
Operations and Maintenance	3,979,353	4,216,711	(3,869,251)	(4,112,475)
Pupil Transportation	3,210,276	3,163,775	(2,944,010)	(2,871,139)
Central	230,954	222,129	(230,322)	(222,129)
Operation of Non-Instructional Services	2,355,628	2,138,838	(73,821)	(197,672)
Extracurricular Activities	832,548	717,039	(715,616)	(613,104)
Interest and Fiscal Charges	1,344,073	1,394,354	(1,344,073)	(1,394,354)
Total Expenses	<u>\$45,067,253</u>	<u>\$43,228,279</u>	<u>(\$34,258,755)</u>	<u>(\$33,306,949)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of this fund comprised \$22,968,103 (80%) of the total \$28,568,903 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$11,885,697, an increase in fund balance of \$3,695,569 from 2013. The primary reason for the increase in fund balance was due to an increase in property tax and intergovernmental revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the original budget basis revenue was \$35,376,924, compared to final budget estimates of \$36,021,345. The difference between the original budget basis and final budget was \$644,421, which was mostly due to increases in taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$9,734,448.

**Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$82,848,303 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	Governmental Activities	
	2014	2013
Land	\$3,634,113	\$3,634,113
Buildings and Improvements	76,408,593	79,345,882
Equipment	2,805,597	3,881,032
Total Net Capital Assets	<u>\$82,848,303</u>	<u>\$86,861,027</u>

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

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

Debt

At June 30, 2014, the District had \$30,692,851 in Bonds and Capital Leases outstanding and \$848,109 due within one year. Table 5 summarizes outstanding debt at year end.

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

	Governmental Activities	
	2014	2013
2008 School Improvement Bonds	\$28,955,000	\$29,730,000
Premium on 2008 School Improvement Bonds	1,590,309	1,662,596
Capital Leases	147,542	198,142
Total Bonds and Capital Leases Payable	<u>\$30,692,851</u>	<u>\$31,590,738</u>

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

**Mt. Healthy City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

For the Future

On June 30, 2013, Governor John Kasich signed House Bill 59, the state biennium budget bill for fiscal years 2014 and 2015. The budget bill limits the total increased funding that will be provided to public school districts to 6.25 percent in fiscal year 2014 and 10.5 percent in fiscal year 2015, both of which impact the District. Coupled with the funding gain limits, House Bill 59 also introduced new spending mandates and increased deductions from public school districts to fund charter and non-public options. These funding limits, spending mandates and deduction increases all have to be taken into account in monitoring the operation of the District and future decisions on pursuing additional revenue or expenditure reductions. This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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

Contacting the District's Financial Management

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

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Mt. Healthy City School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$12,919,611
Restricted Cash and Investments	302,435
Receivables (Net):	
Taxes	14,541,436
Accounts	103,723
Interest	2,959
Intergovernmental	369,801
Inventory	42,574
Nondepreciable Capital Assets	3,634,113
Depreciable Capital Assets, Net	<u>79,214,190</u>
 Total Assets	 <u>111,130,842</u>
Liabilities:	
Accounts Payable	227,901
Accrued Wages and Benefits	3,868,810
Retainage Payable	133,548
Accrued Interest Payable	112,617
Long-Term Liabilities:	
Due Within One Year	1,122,964
Due In More Than One Year	<u>31,227,470</u>
 Total Liabilities	 <u>36,693,310</u>
Deferred Inflows of Resources:	
Property Taxes	<u>7,721,650</u>
 Total Deferred Inflows of Resources	 <u>7,721,650</u>
Net Position:	
Net Investment in Capital Assets	52,155,452
Restricted for:	
Debt Service	1,539,659
Capital Projects	590,307
Classroom Facilities Maintenance	538,745
Federal Grants	64,553
Food Service	263,930
Other Purposes	49,206
Unrestricted	<u>11,514,030</u>
 Total Net Position	 <u><u>\$66,715,882</u></u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$11,857,594	\$554,116	\$294,614	(\$11,008,864)
Special	8,109,287	165,842	5,670,152	(2,273,293)
Vocational	92,562	3,636	28,782	(60,144)
Other	4,639,573	0	40,139	(4,599,434)
Support Services:				
Pupil	2,678,077	2,063	192,130	(2,483,884)
Instructional Staff	1,828,765	1,252	822,902	(1,004,611)
General Administration	84,870	0	0	(84,870)
School Administration	2,874,449	5,398	251,473	(2,617,578)
Fiscal	784,534	0	260	(784,274)
Business	164,710	0	0	(164,710)
Operations and Maintenance	3,979,353	78,439	31,663	(3,869,251)
Pupil Transportation	3,210,276	2,981	263,285	(2,944,010)
Central	230,954	319	313	(230,322)
Operation of Non-Instructional Services	2,355,628	229,828	2,051,979	(73,821)
Extracurricular Activities	832,548	114,050	2,882	(715,616)
Interest and Fiscal Charges	1,344,073	0	0	(1,344,073)
Total Governmental Activities	\$45,067,253	\$1,157,924	\$9,650,574	(34,258,755)

General Revenues:

Property Taxes Levied for:

General Purposes	11,728,878
Special Revenue Purposes	133,754
Debt Service Purposes	2,124,334
Grants and Entitlements, Not Restricted	20,562,152
Unrestricted Contributions	24,683
Investment Earnings	29,469
Other Revenues	576,408

Total General Revenues 35,179,678

Change in Net Position 920,923

Net Position - Beginning of Year, Restated 65,794,959

Net Position - End of Year \$66,715,882

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
 Balance Sheet
 Governmental Funds
 June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$10,253,316	\$2,666,295	\$12,919,611
Restricted Cash and Investments	168,887	133,548	302,435
Receivables (Net):			
Taxes	12,161,384	2,380,052	14,541,436
Accounts	95,193	8,530	103,723
Interest	2,959	0	2,959
Intergovernmental	0	369,801	369,801
Interfund	286,364	0	286,364
Inventory	0	42,574	42,574
Total Assets	22,968,103	5,600,800	28,568,903
Liabilities:			
Accounts Payable	223,014	4,887	227,901
Accrued Wages and Benefits	3,133,188	735,622	3,868,810
Compensated Absences	133,850	58,748	192,598
Retainage Payable	0	133,548	133,548
Interfund Payable	0	286,364	286,364
Total Liabilities	3,490,052	1,219,169	4,709,221
Deferred Inflows of Resources:			
Property Taxes	7,591,384	1,490,052	9,081,436
Grants and Other Taxes	0	250,218	250,218
Investment Earnings	970	0	970
Total Deferred Inflows of Resources	7,592,354	1,740,270	9,332,624
Fund Balances:			
Restricted	0	2,990,467	2,990,467
Assigned	603,729	0	603,729
Unassigned	11,281,968	(349,106)	10,932,862
Total Fund Balances	11,885,697	2,641,361	14,527,058
Total Liabilities, Deferred Inflows and Fund Balances	\$22,968,103	\$5,600,800	\$28,568,903

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$14,527,058

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

 Capital assets used in the operation of Governmental Funds 82,848,303

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	\$1,359,786	
Interest	970	
Intergovernmental	<u>250,218</u>	
		1,610,974

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (112,617)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

 Compensated Absences (1,464,985)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (30,692,851)

Net Position of Governmental Activities \$66,715,882

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$11,698,948	\$2,252,395	\$13,951,343
Tuition and Fees	718,297	0	718,297
Investment Earnings	28,389	110	28,499
Intergovernmental	24,152,885	6,039,883	30,192,768
Extracurricular Activities	19,153	108,784	127,937
Charges for Services	27,303	279,587	306,890
Other Revenues	174,630	455,703	630,333
Total Revenues	36,819,605	9,136,462	45,956,067
Expenditures:			
Current:			
Instruction:			
Regular	10,384,016	9,884	10,393,900
Special	5,713,459	2,318,775	8,032,234
Vocational	78,596	13,966	92,562
Other	4,598,325	41,248	4,639,573
Support Services:			
Pupil	2,277,610	374,482	2,652,092
Instructional Staff	863,114	958,185	1,821,299
General Administration	84,870	0	84,870
School Administration	2,185,199	262,778	2,447,977
Fiscal	709,591	82,740	792,331
Business	162,599	0	162,599
Operations and Maintenance	2,738,806	212,211	2,951,017
Pupil Transportation	2,401,861	56,555	2,458,416
Central	76,539	914	77,453
Operation of Non-Instructional Services	0	2,256,956	2,256,956
Extracurricular Activities	655,187	137,121	792,308
Capital Outlay	4,736	56,060	60,796
Debt Service:			
Principal Retirement	50,600	775,000	825,600
Interest and Fiscal Charges	8,425	1,409,981	1,418,406
Total Expenditures	32,993,533	8,966,856	41,960,389
Excess of Revenues Over (Under) Expenditures	3,826,072	169,606	3,995,678
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	10,827	0	10,827
Transfers In	0	141,330	141,330
Transfers (Out)	(141,330)	0	(141,330)
Total Other Financing Sources (Uses)	(130,503)	141,330	10,827
Net Change in Fund Balance	3,695,569	310,936	4,006,505
Fund Balance - Beginning of Year	8,190,128	2,330,425	10,520,553
Fund Balance - End of Year	\$11,885,697	\$2,641,361	\$14,527,058

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$4,006,505

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

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

Capital assets used in governmental activities	\$229,277	
Depreciation Expense	<u>(4,228,684)</u>	(3,999,407)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (13,317)

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

Delinquent Property Taxes	\$35,623	
Interest	970	
Intergovernmental	40,033	
Other	<u>(42,027)</u>	34,599

Repayment of bond and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 825,600

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 2,046

Some expenses reported in the statement of activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in governmental funds.

Compensated Absences	(\$7,390)	
Amortization of Bond Premium	<u>72,287</u>	<u>64,897</u>

Change in Net Position of Governmental Activities \$920,923

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$58,023</u>
Total Assets	<u>58,023</u>
Liabilities:	
Accounts Payable	2,723
Other Liabilities	<u>55,300</u>
Total Liabilities	<u>\$58,023</u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the District

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 101 support staff personnel and approximately 233 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 10th largest in Hamilton County in terms of enrollment. It currently operates 2 elementary schools, 1 junior high (grades 7-8) and 1 high school (grades 9-12). The Junior High and High School are located on the same complex.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Measurement Focus

Government-wide Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Private purpose trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an Agency Fund. The District's Agency Fund accounts for assets and liabilities generated by student managed activities.

Note 3 - Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes (which includes tax incremental financing 'TIF') and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Expenses/Expenditures

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

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

Equity In Pooled Cash And Investments

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue in the General Fund during fiscal year 2014 amounted to \$28,389 and \$110 in Other Governmental Funds.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Inventory

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$3,046,400 in restricted net position, none were restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

Fund Balance

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

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

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

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

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

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

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

Estimates

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Restricted Assets

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

Note 4 - Equity in Pooled Cash and Investments

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

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

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

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

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$4,594,282 of the District's bank balance of \$7,228,827 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2014, the District had the following investments:

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$2,500,175	2.48
Fannie Mae	500,490	3.16
Money Market Funds	106,787	0.00
Commercial Paper	2,998,680	0.23
Total Fair Value	\$6,106,132	
Portfolio Weighted Average Maturity		1.39

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

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

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 41% in Federal Home Loan Bank, 8% in Fannie Mae, 2% in Money Market Funds and 49% in Commercial Paper.

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

Note 5 - Property Taxes

Real property taxes collected in 2014 were levied in April on the assessed values as of January 1, 2013, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Real property taxes are payable annually or semi-annually. In 2014, if paid annually, payment was due by January 31st. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2014. Delinquent property taxes collected within 60 days of the fiscal year end are included as a receivable and tax revenue on the fund financial statements. All delinquent property taxes outstanding at June 30, 2014 are recognized as a revenue and receivable on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014, was \$4,570,000 for General Fund and \$890,000 in Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2014 operations.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$289,040,000
Public Utility	<u>11,860,000</u>
Total	<u><u>\$300,900,000</u></u>

Note 6 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$3,634,113	\$0	\$0	\$3,634,113
Capital Assets, being depreciated:				
Buildings and Improvements	90,783,303	0	0	90,783,303
Equipment	<u>12,518,840</u>	<u>229,277</u>	<u>13,317</u>	<u>12,734,800</u>
Totals at Historical Cost	<u>106,936,256</u>	<u>229,277</u>	<u>13,317</u>	<u>107,152,216</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,437,421	2,937,289	0	14,374,710
Equipment	<u>8,637,808</u>	<u>1,291,395</u>	<u>0</u>	<u>9,929,203</u>
Total Accumulated Depreciation	<u>20,075,229</u>	<u>4,228,684</u>	<u>0</u>	<u>24,303,913</u>
Governmental Activities Capital Assets, Net	<u>\$86,861,027</u>	<u>(\$3,999,407)</u>	<u>\$13,317</u>	<u>\$82,848,303</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,384,895
Special	170,416
Support Services:	
Pupils	1,691
Instructional Staff	66,390
School Administration	463,464
Operations and Maintenance	1,096,075
Pupil Transportation	751,860
Central	153,501
Operation of Non-Instructional Services	114,597
Extracurricular Activities	<u>25,795</u>
Total Depreciation Expense	<u>\$4,228,684</u>

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Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Long-Term Liabilities

	Interest Rate	Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
Governmental Activities:						
Loan and Bonds Payable:						
2008 School Improvement Bonds	4.25%	\$29,730,000	\$0	\$775,000	\$28,955,000	\$795,000
2008 School Improvement Premium on Bonds		1,662,596	0	72,287	1,590,309	0
Capital Leases Payable:						
2008 Athletic Boosters Lease	4.85%	198,142	0	50,600	147,542	53,109
Total Long-Term Debt		31,590,738	0	897,887	30,692,851	848,109
Compensated Absences		1,720,090	270,725	333,232	1,657,583	274,855
Total Governmental Activities Long-Term Liabilities		<u>\$33,310,828</u>	<u>\$270,725</u>	<u>\$1,231,119</u>	<u>\$32,350,434</u>	<u>\$1,122,964</u>

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

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

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2014 follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2015	\$795,000	\$1,384,469	\$2,179,469
2016	825,000	1,357,112	2,182,112
2017	855,000	1,323,713	2,178,713
2018	885,000	1,297,263	2,182,263
2019	915,000	1,257,756	2,172,756
2020-2024	5,285,000	5,502,733	10,787,733
2025-2029	6,735,000	4,002,362	10,737,362
2030-2034	8,585,000	2,133,375	10,718,375
2035-2036	4,075,000	206,625	4,281,625
Total	<u>\$28,955,000</u>	<u>\$18,465,408</u>	<u>\$47,420,408</u>

Note 9 - Capital Lease

The District has entered into a capital lease for athletic equipment.

The lease described above meets the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

transfers benefits and risks of ownership to the lessee. Future capital lease payments will be made from the General fund.

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

Fiscal Year Ending June 30	Capital Leases
2015	\$59,025
2016	59,025
2017	<u>39,845</u>
Total Minimum Lease Payments	157,895
Less: Amount Representing Interest	<u>(10,353)</u>
Present Value of Minimum Lease Payments	<u><u>\$147,542</u></u>

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

Equipment	\$417,462
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Note 10 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$583,776, \$559,128, and \$745,320, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

DB Plan Benefits

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

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

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

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

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

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

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

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$2,004,540, \$1,816,008, and \$2,175,852, respectively; 81% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.74%. District contributions for the year ended June 30, 2014, 2013 and 2012 were \$30,857, \$29,554, and \$40,460, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$6,672, \$6,390, and \$76,129, respectively; 83% has been contributed for fiscal years 2014 and 100% has been contributed for 2013 and 2012.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$143,181, \$129,715, and \$155,418, respectively; 81% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 12 - Contingent Liabilities

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Litigation

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

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets errors and omissions, injuries to employees and natural disasters. During the fiscal year, the Ohio School Plan through Hylant Insurance provided property insurance to the district. The Ohio School Plan provided liability insurance coverage with a 5 million Dollar aggregate limit to all employees and volunteers of the district.

All District owned fleet vehicles excluding buses (operated and insured by Durham/National Express) are insured by Ohio School Plan through Hylant and hold a \$1,000 deductible for comprehensive and collision automobile liability and has a 5 million dollar combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past 10 years.

The District carries performance bonds in the amount of \$50,000 for the Superintendent, Treasurer and Board President by Cincinnati Insurance Company. The Indiana Insurance Company also maintains a \$5,000 public officials' blanket bond for all employees.

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

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

The District offers medical/surgical/hospitalization insurance benefits to all employees through Anthem Blue Cross/Blue Shield through the Greater Cincinnati Insurance Consortium.

The District offers dental insurance through Dental Care Plus.

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Jointly Governed Organizations

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

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

Note 15 – Accountability

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

Other Governmental Funds:	
Management Information Systems	\$160,991
Title V Innovative Projects	2,851
Improving Teacher Quality	7,489
Title I	177,775

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

Note 16 – Requirement for Set-Asides

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

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

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2013	\$0	\$168,887
Current Year Set Aside Requirements	558,082	0
Qualified Disbursements	(513,875)	0
Current Year Offsets	(44,207)	0
Set Aside Reserve Balance as of June 30, 2014	<u>\$0</u>	<u>\$168,887</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>	<u>\$168,887</u>

Expenditures for capital activity during the year totaled \$513,875, which exceeded the amount required for the set-aside.

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

Note 17 - Interfund Transactions

Interfund transactions at June 30, 2014, consisted of the following interfund receivables, payables, transfers in and out:

	Interfund Loan		Transfers	
	Receivable	Payable	In	Out
General Fund	\$286,364	\$0	\$0	\$141,330
Other Governmental Funds	0	286,364	141,330	0
Total All Funds	<u>\$286,364</u>	<u>\$286,364</u>	<u>\$141,330</u>	<u>\$141,330</u>

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

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

Note 18 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

Note 19 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Local Grants	0	19,463	19,463
Auxiliary Services	0	3,974	3,974
District Managed Activity Fund	0	8,925	8,925
SIG FYII South Elementary	0	4,978	4,978
Miscellaneous State Grants	0	16,844	16,844
Special Education	0	1,360	1,360
Miscellaneous Federal Grants	0	53	53
Food Service	0	319,608	319,608
Classroom Facilities Maintenance	0	524,990	524,990
Title I School Improvement	0	20,148	20,148
Race to the Top	0	31,186	31,186
Debt Service	0	1,448,631	1,448,631
Building	0	15,495	15,495
Permanent Improvement	0	174,812	174,812
Classroom Facilities	0	400,000	400,000
Total Restricted	0	2,990,467	2,990,467
Assigned to:			
Public School Support	36,720	0	36,720
Encumbrances	567,009	0	567,009
Total Assigned	603,729	0	603,729
Unassigned (Deficit)	11,281,968	(349,106)	10,932,862
Total Fund Balance	\$11,885,697	\$2,641,361	\$14,527,058

Mt. Healthy City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 20 – Prior Period Adjustment

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period's net position as follows:

	<u>Governmental Activities</u>
Net Position - June 30, 2013	\$66,269,468
Prior Period Adjustment:	
Bond Issuance Costs	(474,509)
Restated Net Position - June 30, 2013	<u><u>\$65,794,959</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

Mt. Healthy City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,976,976	\$11,176,931	\$11,268,948	\$92,017
Tuition and Fees	699,686	712,432	718,297	5,865
Investment Earnings	21,833	22,231	22,414	183
Intergovernmental	23,527,098	23,955,664	24,152,885	197,221
Charges for Services	26,596	27,080	27,303	223
Other Revenues	124,735	127,007	128,053	1,046
Total Revenues	35,376,924	36,021,345	36,317,900	296,555
Expenditures:				
Current:				
Instruction:				
Regular	11,731,090	11,208,981	10,521,929	687,052
Special	6,309,394	6,028,585	5,659,064	369,521
Vocational	95,964	91,693	86,073	5,620
Other	5,127,994	4,899,765	4,599,435	300,330
Support Services:				
Pupil	2,591,290	2,475,960	2,324,197	151,763
Instructional Staff	979,228	935,646	878,296	57,350
General Administration	96,650	92,348	86,688	5,660
School Administration	2,413,026	2,305,631	2,164,308	141,323
Fiscal	797,529	762,034	715,325	46,709
Business	176,853	168,982	158,624	10,358
Operations and Maintenance	3,380,881	3,230,410	3,032,403	198,007
Pupil Transportation	2,643,732	2,526,069	2,371,234	154,835
Central	87,051	83,176	78,078	5,098
Extracurricular Activities	660,844	631,433	592,729	38,704
Capital Outlay	5,280	5,045	4,736	309
Debt Service:				
Principal Retirement	56,415	53,904	50,600	3,304
Interest and Fiscal Charges	9,393	8,975	8,425	550
Total Expenditures	37,162,614	35,508,637	33,332,144	2,176,493
Excess of Revenues Over (Under) Expenditures	(1,785,690)	512,708	2,985,756	2,473,048
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	10,546	10,739	10,827	88
Advances In	147,157	149,837	151,071	1,234
Advances (Out)	(3,128)	(2,989)	(2,806)	183
Transfers In	7,840	7,983	8,049	66
Transfers (Out)	(155,818)	(148,883)	(139,757)	9,126
Total Other Financing Sources (Uses)	6,597	16,687	27,384	10,697
Net Change in Fund Balance	(1,779,093)	529,395	3,013,140	2,483,745
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,721,308	6,721,308	6,721,308	0
Fund Balance End of Year	\$4,942,215	\$7,250,703	\$9,734,448	\$2,483,745

See accompanying notes to the required supplementary information.

Mt. Healthy City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

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

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

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

Mt. Healthy City School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$3,695,569
Revenue Accruals	(501,705)
Expenditure Accruals	304,415
Transfers In	8,049
Transfers (Out)	1,573
Advances In	151,071
Advances (Out)	(2,806)
Encumbrances	<u>(643,026)</u>
Budget Basis	<u><u>\$3,013,140</u></u>

MT. HEALTHY CITY SCHOOL DISTRICT



Single Audit Reports

June 30, 2014

**MT. HEALTHY CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$558,346	\$0	\$558,346	\$0
National School Lunch Program	3L60	10.555	1,087,908	210,566	1,087,908	210,566
Summer Food Service Program for Children	3L60	10.559	31,453	0	31,453	0
Total Nutrition Cluster			<u>1,677,707</u>	<u>210,566</u>	<u>1,677,707</u>	<u>210,566</u>
Total U.S. Department of Agriculture			<u>1,677,707</u>	<u>210,566</u>	<u>1,677,707</u>	<u>210,566</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	867,802	0	768,474	0
Special Education-Preschool Grants	3C50	84.173	19,375	0	19,375	0
Total Special Education Cluster			<u>887,177</u>	<u>0</u>	<u>787,849</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	2,608,378	0	2,442,673	0
Total Title I Cluster			<u>2,608,378</u>	<u>0</u>	<u>2,442,673</u>	<u>0</u>
School Improvement Cluster:						
School Improvement	3AN0	84.377	242,394	0	179,149	0
Total School Improvement Cluster			<u>242,394</u>	<u>0</u>	<u>179,149</u>	<u>0</u>
21st Century	3Y20	84.287	184,067	0	169,685	0
Improving Teacher Quality	3Y60	84.367	230,066	0	209,810	0
Race to the Top - ARRA	3FD0	84.395	288,396	0	232,995	0
Passed Through Great Oaks Institute of Technology & Career Development:						
Career & Technical Education-Basic Grants to States (Perkins)	N/A	84.048	9,100	0	8,482	0
Total Department of Education			<u>4,449,578</u>	<u>0</u>	<u>4,030,643</u>	<u>0</u>
Total Federal Assistance			<u>\$6,127,285</u>	<u>\$210,566</u>	<u>\$5,708,350</u>	<u>\$210,566</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

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

Board of Education
Mt. Healthy City School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt. Healthy City School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2014, wherein we noted the District adopted GASB No. 65 as disclosed in Note 18.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 15, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Mt. Healthy City School District

Report on Compliance for Each Major Federal Program

We have audited the Mt. Healthy City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 15, 2014, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 65 as disclosed in Note 18. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 15, 2014

**MT. HEALTHY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section I – Summary of Auditor’s Results

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	<u>Title I Cluster:</u> -Grants to Local Educational Agencies- CFDA #84.010 <u>Special Education Cluster:</u> -Grants to States- CFDA #84.027 -Preschool Grants- CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

MT. HEALTHY CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
June 30, 2014

The Mt. Healthy City School District had no prior audit findings or questioned costs.



Dave Yost • Auditor of State

MT. HEALTHY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2015**