

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

Financial Statements

Regular Audit

Year Ended December 31, 2008

Report of Independent Auditors



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Mt. Healthy, Hamilton County, prepared by Cassidy Schiller & Associates Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 14, 2010

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**CITY OF MT. HEALTHY, HAMILTON COUNTY, OHIO
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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INDEPENDENT AUDITOR'S REPORT



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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, (City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mt. Healthy, Hamilton County, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above including the budgetary comparisons of the General Fund and the Safety Tax Fund, present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of the City of Mt. Healthy, Hamilton County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


December 10, 2009

CERTIFIED PUBLIC ACCOUNTANTS

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Cincinnati, Ohio 45242
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City of Mt. Healthy, Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Management's Discussion and Analysis (MD&A) of the City of Mt. Healthy, Hamilton County, Ohio's financial performance provides an overview of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

Financial Highlights

- The City's total net assets decreased \$62,573 from 2007.
- General revenues accounted for \$2,758,572 of all government revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,319,048 of total governmental revenues of \$4,077,620.
- The City had \$4,140,193 in expenses; \$1,319,048 of these expenses were offset by program specific revenues in the form of charges for services and sales, grants and contributions.

Using This Annual Financial Report

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

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

Reporting the City as a Whole

One of the most important questions asked about the City is "How did we do financially during 2008?" The Statement of Net Assets and the Statements of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

The City as a Whole

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		
	2008	2007	Change
Assets			
Current and Other Assets	\$2,182,248	\$2,297,938	(\$115,690)
Nondepreciable Capital Assets	294,990	180,910	114,080
Depreciable Capital Assets, Net	3,238,087	3,017,490	220,597
Total Assets	\$5,715,325	\$5,496,338	\$218,987

(continued)

Table 1
Net Assets
(continued)

	Governmental Activities		
	2008	2007	Change
Liabilities			
Current and Other Liabilities	\$1,069,574	\$1,081,040	(\$11,466)
Long-Term Liabilities:			
Due Within One Year	162,447	259,784	(97,337)
Due in More Than One Year	1,720,412	1,330,049	390,363
Total Liabilities	<u>2,952,433</u>	<u>2,670,873</u>	<u>281,560</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	2,008,216	1,908,478	99,738
Restricted	324,056	263,944	60,112
Unrestricted	430,620	653,043	(222,423)
Total Net Assets	<u>\$2,762,892</u>	<u>\$2,825,465</u>	<u>(\$62,573)</u>

Depreciable Capital Assets, Net increased \$220,597 and Non-Depreciable Capital Assets increased \$114,080, largely due to increases in property acquisition and building improvements relating to community improvement projects.

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

Total Net Assets decreased \$62,573, which is not significant. Invested in Capital Assets, Net of Related Debt increased \$99,738 due primarily to current year capital assets additions and principal payments made on debt related to capital assets construction exceeding current year depreciation.

Unrestricted Net Assets decreased by \$222,423 due to decreases in State entitlement monies and interest revenues, along with modest increases in expenditures for public safety and community environment over the prior year.

Table 2 shows the changes in net assets for the year ended December 31, 2008 compared to 2007.

Table 2
Change in Net Assets

	Governmental Activities		
	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$947,680	\$670,831	\$276,849
Operating Grants and Contributions	347,168	311,210	35,958
Capital Grants and Contributions	24,200	82,112	(57,912)
Total Program Revenues	<u>\$1,319,048</u>	<u>\$1,064,153</u>	<u>\$254,895</u>

(continued)

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2008	2007	Change
General Revenues			
Property Taxes	\$860,159	\$903,762	(\$43,603)
Income Taxes	1,332,658	1,488,640	(155,982)
Other Local Taxes	60,442	74,504	(14,062)
Grants and Entitlements			
not Restricted for Specific Purposes	298,246	325,889	(27,643)
Gain on Sale of Capital Assets	1,005	4,200	(3,195)
Unrestricted Interest	4,327	26,033	(21,706)
Unrestricted Contributions	133,180	0	133,180
Other	68,555	113,725	(45,170)
Total General Revenues	<u>2,758,572</u>	<u>2,936,753</u>	<u>(178,181)</u>
Total Revenues	<u>4,077,620</u>	<u>4,000,906</u>	<u>76,714</u>
Program Expenses			
General Government	595,752	606,883	(11,131)
Security of Persons and Property	1,867,610	1,865,490	2,120
Public Works	465,512	426,733	38,779
Leisure Time Activities	240,100	202,029	38,071
Community Environment	133,235	99,046	34,189
Transportation	768,906	479,983	288,923
Interest and Fiscal Charges	69,078	74,312	(5,234)
Total Expenses	<u>4,140,193</u>	<u>3,754,476</u>	<u>385,717</u>
Change in Net Assets	(62,573)	246,430	(309,003)
Net Assets at Beginning of Year	<u>2,825,465</u>	<u>2,579,035</u>	<u>246,430</u>
Net Assets at End of Year	<u>\$2,762,892</u>	<u>\$2,825,465</u>	<u>(\$62,573)</u>

Governmental Activities

Charges for Services and Sales increased \$276,849, due primarily to the Mt. Healthy City School District reimbursing the City for improvements done on the School District's waterlines.

Unrestricted Contributions increased \$133,180 due to the City receiving donated property from Housing and Urban Development during 2008.

Income Taxes decreased \$155,982 due to a decrease in the number of people who filed income tax returns with the City during 2008.

Transportation increased \$288,923 due primarily to the improvements done on the Mt. Healthy City School District waterline project by the City's Street Department and other vendors that were paid by the City.

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

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

The City's Funds

Information about the City's major governmental funds begins on page 10. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,995,590 and expenditures of \$4,561,687. The General Fund's balance decreased \$213,921 due to decreases in State entitlement monies and interest revenues, along with modest increases in expenditures for public safety and the community environment over the prior year. The Safety Tax Fund's balance decreased \$34,037 due to a general increase in expenditures related to operating the fire department. The Capital Improvement Fund's balance increased \$54,292 due primarily to the City finishing street construction projects in the prior year.

General Fund Budgeting Highlights

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

Original General Fund budgeted revenues were \$2,891,147. The final budgeted amount was \$2,951,900, which is an increase of \$60,753. Actual revenues were \$2,889,957 at year-end, which is a decrease of \$61,943 over final budgeted revenues.

Original General Fund appropriations were \$2,572,978 and final appropriations were \$2,701,414. The City's actual expenditures were \$2,682,438 at year-end, which is a decrease of \$18,976 from final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of 2008, the City had \$3,533,077 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$334,677 from the prior year. The increase in capital assets is largely due to increases in property acquisition and building improvements relating to community improvement projects.

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

Debt

At December 31, 2008, the City had \$1,183,000 in general obligation bonds and \$500,000 in bond anticipation notes outstanding. The City's long-term obligations also included compensated absences of \$145,125, police pension liability of \$48,119, and a capital lease of \$6,615.

The City's overall 10.5 percent legal debt margin was \$8,082,482 as of December 31, 2008. The more restrictive unvoted legal debt margin was \$3,432,339 as of the same date.

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

Current Financial Challenges and Initiatives

In 2006 the income tax credit was rolled back for economic development purposes. Combined with tax-exempt bonds, the City has been able to take advantage of low property prices and purchase several properties. We now have a nice section of a block in the heart of town for future development.

Mt. Healthy City School District's new school buildings are underway and the City annexed property at the high school location and formed a Joint Economic Development District with Springfield Township for the north elementary site.

We continue to seek out State funding for large road projects and maintain roads the best we can. Police, fire, and parks actively seek out grant opportunities.

On March 24, 2009, the City reissued the Property Acquisition Bond Anticipation Note in the amount of \$515,000 at a rate of 3.00 percent. The note will mature on March 23, 2010.

Contacting the City's Finance Department

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

City of Mt. Healthy, Hamilton County, Ohio

Statement of Net Assets

December 31, 2008

	Primary Government <u>Governmental Activities</u>	<u>Component Unit Mt. Healthy Community Improvement Corporation</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$555,712	\$52,869
Accounts Receivable	25,478	0
Income Taxes Receivable	428,898	0
Intergovernmental Receivable	261,826	0
Other Local Taxes Receivable	15,063	0
Property Taxes Receivable	895,271	0
Nondepreciable Capital Assets	294,990	0
Depreciable Capital Assets, Net	<u>3,238,087</u>	<u>0</u>
 Total Assets	 <u>5,715,325</u>	 <u>52,869</u>
Liabilities		
Accounts Payable	63,655	0
Accrued Wages and Benefits Payable	73,663	0
Compensatory Time Payable	7,942	0
Intergovernmental Payable	80,242	0
Contracts Payable	10,549	0
Accrued Interest Payable	8,658	0
Deferred Revenue	824,865	0
Long-Term Liabilities:		
Due Within One Year	162,447	0
Due in More Than One Year	<u>1,720,412</u>	<u>0</u>
 Total Liabilities	 <u>2,952,433</u>	 <u>0</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,008,216	0
Restricted for:		
Capital Outlay	172,705	0
Transportation	104,708	0
Security of Persons and Property	46,610	0
Leisure Time Activities	33	0
Unrestricted	<u>430,620</u>	<u>52,869</u>
 Total Net Assets	 <u><u>\$2,762,892</u></u>	 <u><u>\$52,869</u></u>

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Mt. Healthy Community Improvement Corporation
Governmental Activities						
General Government	\$595,752	\$137,434	\$0	\$0	(\$458,318)	\$0
Security of Persons and Property	1,867,610	160,865	35,511	0	(1,671,234)	0
Public Works	465,512	330,334	0	0	(135,178)	0
Leisure Time Activities	240,100	27,636	0	0	(212,464)	0
Community Environment	133,235	82,793	1,300	0	(49,142)	0
Transportation	768,906	208,618	310,357	24,200	(225,731)	0
Interest and Fiscal Charges	69,078	0	0	0	(69,078)	0
Total Governmental Activities	\$4,140,193	\$947,680	\$347,168	\$24,200	(2,821,145)	0
Component Unit						
Mt. Healthy Community Improvement Corporation	\$3,843	\$0	\$0	\$0	0	(3,843)
General Revenues:						
Taxes						
Property Taxes Levied for:						
					372,915	0
					103,478	0
					383,766	0
					1,332,658	0
					60,442	0
					298,246	0
					1,005	0
					4,327	120
					133,180	0
					68,555	8
Total General Revenues					2,758,572	128
Change in Net Assets					(62,573)	(3,715)
Net Assets at Beginning of Year					2,825,465	56,584
Net Assets at End of Year					\$2,762,892	\$52,869

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
 Balance Sheet
 Governmental Funds
 December 31, 2008

	General	Safety Tax	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$204,604	\$47,029	\$115,306	\$188,773	\$555,712
Intergovernmental Receivable	90,380	18,927	5,437	147,082	261,826
Income Taxes Receivable	428,898	0	0	0	428,898
Property Taxes Receivable	388,622	375,029	131,620	0	895,271
Other Local Taxes Receivable	15,063	0	0	0	15,063
Accounts Receivable	25,478	0	0	0	25,478
Total Assets	\$1,153,045	\$440,985	\$252,363	\$335,855	\$2,182,248
Liabilities					
Accounts Payable	\$50,197	\$6,247	\$0	\$7,211	\$63,655
Accrued Wages and Benefits Payable	50,621	15,823	0	7,219	73,663
Contracts Payable	10,220	0	0	329	10,549
Intergovernmental Payable	71,645	4,030	0	4,567	80,242
Deferred Revenue	767,889	393,956	137,057	96,864	1,395,766
Total Liabilities	950,572	420,056	137,057	116,190	1,623,875
Fund Balances					
Reserved:					
Reserved for Encumbrances	625	0	0	0	625
Unreserved, Undesignated, Reported in:					
General Fund	201,848	0	0	0	201,848
Special Revenue Funds	0	20,929	0	34,095	55,024
Debt Service Fund	0	0	0	181	181
Capital Projects Funds	0	0	115,306	185,389	300,695
Total Fund Balances	202,473	20,929	115,306	219,665	558,373
Total Liabilities and Fund Balances	\$1,153,045	\$440,985	\$252,363	\$335,855	\$2,182,248

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2008

Total Governmental Fund Balances \$558,373

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

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

Land	294,990	
Infrastructure	1,562,069	
Other Capital Assets	3,823,574	
Accumulated Depreciation	(2,147,556)	
Total Capital Assets	3,533,077	3,533,077

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

Delinquent Property Taxes	70,406	
Intergovernmental	189,142	
Income Taxes	311,353	
	570,901	570,901

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

Capital leases	(6,615)	
Notes	(500,000)	
Bonds	(1,183,000)	
Police Pension	(48,119)	
Compensatory Time Payable	(7,942)	
Compensated absences	(145,125)	
Total Liabilities	(1,890,801)	(1,890,801)

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

Accrued Interest	(8,658)
------------------	---------

Net Assets of Governmental Activities \$2,762,892

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Safety Tax	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$375,012	\$384,451	\$105,692	\$0	\$865,155
Income Taxes	1,341,268	0	0	0	1,341,268
Other Local Taxes	60,442	0	0	0	60,442
Charges for Services	516,298	0	208,618	23,234	748,150
Fines, Licenses and Permits	195,955	0	0	0	195,955
Intergovernmental	345,365	44,076	12,611	304,811	706,863
Interest	4,327	0	0	0	4,327
Rent	3,575	0	0	0	3,575
Donations	1,300	0	0	0	1,300
Other	25,335	4,531	0	38,689	68,555
Total Revenues	2,868,877	433,058	326,921	366,734	3,995,590
Expenditures					
Current:					
General Government	586,829	0	0	0	586,829
Security of Persons and Property	1,317,888	507,395	0	0	1,825,283
Public Works	465,512	0	0	0	465,512
Leisure Time Activities	185,617	0	0	1,467	187,084
Community Environment	97,875	0	0	0	97,875
Transportation	0	0	272,629	380,031	652,660
Capital Outlay	50,791	6,986	0	407,274	465,051
Debt Service:					
Principal Retirement	7,455	12,283	0	189,639	209,377
Interest and Fiscal Charges	3,469	431	0	68,116	72,016
Total Expenditures	2,715,436	527,095	272,629	1,046,527	4,561,687
Excess of Revenues Over (Under)					
Expenditures	153,441	(94,037)	54,292	(679,793)	(566,097)
Other Financing Sources (Uses)					
Transfers In	0	60,000	0	315,462	375,462
Notes Issued	0	0	0	500,000	500,000
Inception of Capital Lease	8,100	0	0	0	8,100
Proceeds from Sale of Capital Assets	0	0	0	1,005	1,005
Transfers Out	(375,462)	0	0	0	(375,462)
Total Other Financing Sources (Uses)	(367,362)	60,000	0	816,467	509,105
Net Change in Fund Balances	(213,921)	(34,037)	54,292	136,674	(56,992)
Fund Balances at Beginning of Year	416,394	54,966	61,014	82,991	615,365
Fund Balances at End of Year	\$202,473	\$20,929	\$115,306	\$219,665	\$558,373

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2008

Net Change in Fund Balances - Total Governmental Funds (\$56,992)

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

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

Capital Assets Additions	445,095	
Donated Capital Assets	133,180	
Current Year Depreciation	<u>(243,598)</u>	
		334,677

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

Property Taxes	(4,996)	
Intergovernmental	(38,549)	
Income Taxes	<u>(8,610)</u>	
		(52,155)

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

Proceeds of Notes (500,000)

Some capital assets were financed through capital leases. In governmental funds,
 a capital lease arrangement is considered a source of financing, but in the
 Statement of Net Assets, the lease obligation is reported as a liability.

(8,100)

Repayment of long-term debt is an expenditure in the governmental funds,
 but the repayment reduces long-term liabilities in the Statement of
 Net Assets. In the current year, these amounts consist of:

Bonds	206,922	
Police Pension Liability	970	
Capital Leases	<u>1,485</u>	
Total Long-term Debt Repayment		209,377

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

Decrease in Compensatory Time Payable	6,078	
Decrease in Compensated Absences	1,604	
Decrease in Accrued Interest	<u>2,938</u>	
Total Additional Expenditures		<u>10,620</u>

Change in Net Assets of Governmental Activities (\$62,573)

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property Taxes	\$366,701	\$366,701	\$375,012	\$8,311
Income Taxes	1,367,706	1,400,621	1,358,834	(41,787)
Other Local Taxes	60,543	62,000	59,733	(2,267)
Charges for Services	512,572	524,908	517,761	(7,147)
Fines, Licenses and Permits	167,177	171,200	174,005	2,805
Intergovernmental	362,838	371,570	361,869	(9,701)
Interest	27,391	28,050	5,896	(22,154)
Rent	2,100	2,150	3,575	1,425
Donations	2,441	2,500	1,300	(1,200)
Other	21,678	22,200	31,972	9,772
Total Revenues	2,891,147	2,951,900	2,889,957	(61,943)
Expenditures				
Current:				
General Government	582,193	594,250	586,341	7,909
Security of Persons and Property	1,286,717	1,330,934	1,330,842	92
Public Works	440,627	443,043	439,802	3,241
Leisure Time Activities	159,354	184,900	184,887	13
Community Environment	104,087	105,587	97,875	7,712
Capital Outlay	0	42,700	42,691	9
Total Expenditures	2,572,978	2,701,414	2,682,438	18,976
Excess of Revenues Over (Under) Expenditures	318,169	250,486	207,519	(42,967)
Other Financing Uses				
Transfers Out	(370,777)	(375,462)	(375,462)	0
Net Change in Fund Balance	(52,608)	(124,976)	(167,943)	(42,967)
Fund Balance at Beginning of Year	347,990	347,990	347,990	0
Prior Year Encumbrances Appropriated	5,001	5,001	5,001	0
Fund Balance at End of Year	\$300,383	\$228,015	\$185,048	(\$42,967)

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Safety Tax Special Revenue Fund
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property Taxes	\$375,246	\$398,825	\$384,451	(\$14,374)
Intergovernmental	47,051	38,157	44,076	5,919
Other	3,699	3,000	4,531	1,531
Total Revenues	425,996	439,982	433,058	(6,924)
Expenditures				
Current:				
Security of Persons and Property	529,778	505,896	511,786	(5,890)
Capital Outlay	0	15,155	6,986	8,169
Debt Service:				
Principal Retirement	0	12,714	12,714	0
Total Expenditures	529,778	533,765	531,486	2,279
Excess of Revenues Under Expenditures	(103,782)	(93,783)	(98,428)	(4,645)
Other Financing Sources				
Transfers In	73,986	60,000	60,000	0
Net Change in Fund Balance	(29,796)	(33,783)	(38,428)	(4,645)
Fund Balance at Beginning of Year	84,632	84,632	84,632	0
Prior Year Encumbrances Appropriated	824	824	824	0
Fund Balance at End of Year	\$55,660	\$51,673	\$47,028	(\$4,645)

See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	\$5,070
Cash in Segregated Accounts	<u>6,270</u>

Total Assets	<u><u>\$11,340</u></u>
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Liabilities

Intergovernmental Payable	\$4,710
Undistributed Monies	<u>6,630</u>

Total Liabilities	<u><u>\$11,340</u></u>
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See accompanying notes and report of independent auditors.

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Reporting Entity

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

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

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

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

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

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

The information in Notes 2 through 19 relate to the primary government. Information for the CIC is presented in Note 20.

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

The City participates in two organizations which are defined as jointly governed organizations and one defined as a joint venture. These organizations are the Center for Local Government, the Hamilton County Municipal League, and the Joint Economic Development District. These organizations are presented in Note 17 of the Basic Financial Statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

Basis of Presentation

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but were levied to finance 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Cash and Cash Equivalents

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are reported on the financial statements as cash equivalents. The City had no investments during the year or at December 31, 2008.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2008 amounted to \$4,327, which includes \$2,350 assigned from other City funds.

Internal Activities

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

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

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

Capital Assets

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

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

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

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Debt

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

Reserves of Fund Balance

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Reserves have been established for encumbrances. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Net Assets

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

The government-wide Statement of Net Assets reports \$324,056 of restricted net assets, none of which is restricted by enabling legislation.

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.

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Budgets and Budgetary Accounting

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

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

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

NOTE 3 – COMPLIANCE

The following account had an excess of expenditures plus encumbrances over appropriations for the year ended December 31, 2008:

<u>Fund Type/Name/Program/Object</u>	<u>Final Appropriations</u>	<u>Final Expenditures</u>	<u>Excess</u>
Special Revenue Fund			
Safety Tax Fund			
Security of Persons and Property			
Other	\$130,632	\$145,411	(\$14,779)

The City Auditor will monitor budgetary controls more closely in the future to alleviate such compliance issues.

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 4 – BUDGET TO GAAP RECONCILIATION

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

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- d. Unrecorded cash represents amounts received but not included on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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

	General	Safety Tax
GAAP Basis	(\$213,921)	(\$34,037)
Revenue Accruals	23,446	0
Expenditure Accruals	33,623	(4,391)
Encumbrances	(625)	0
Unrecorded Cash - 2007	8,466	0
Unrecorded Cash - 2008	(18,932)	0
Budget Basis	(\$167,943)	(\$38,428)

NOTE 5 – DEPOSITS AND INVESTMENTS

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

The carrying amount of the City's cash totaled \$608,581 and was deposited with financial institutions.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 6 – PROPERTY TAXES (continued)

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2008, was \$11.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Property		
Residential/Agricultural	\$59,227,990	63.68%
Commercial/Industrial/Public Utility	28,209,190	30.33%
Public Utility Personal	4,159,910	4.47%
General Business Personal	1,405,780	1.52%
Total Property Taxes	<u>\$93,002,870</u>	<u>100.00%</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 7 – INCOME TAX

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

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

In 2008, income tax proceeds were allocated to the General Fund.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2008, consisted of taxes, accounts, intergovernmental receivables arising from grants, entitlements, fines, fees and shared revenues. All receivables, except property and income taxes, are considered fully collectible and will be collected within one year. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Homestead and Rollback	\$45,320
Undivided Local Government	9,794
Shared Income	56,616
State Gasoline Excise Tax	31,819
Permissive Motor Vehicle License Tax	50,108
Gasoline Cents Per Gallon	65,155
Recycling Reimbursement	3,014
Total	<u>\$261,826</u>

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008, was as follows:

	<u>Balance At</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2008</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$180,910	\$114,080	\$0	\$294,990
Depreciable Capital Assets:				
Land/Site Improvements	436,384	0	0	436,384
Buildings and Building Improvements	1,199,892	340,098	0	1,539,990
Equipment and Vehicles	1,837,722	29,927	(20,449)	1,847,200
Infrastructure	1,467,899	94,170	0	1,562,069
Total Depreciable Capital Assets	<u>4,941,897</u>	<u>464,195</u>	<u>(20,449)</u>	<u>5,385,643</u>
Less Accumulated Depreciation:				
Land/Site Improvements	(122,785)	(23,876)	0	(146,661)
Buildings and Building Improvements	(285,672)	(41,805)	0	(327,477)
Equipment and Vehicles	(1,361,000)	(97,262)	20,449	(1,437,813)
Infrastructure	(154,950)	(80,655)	0	(235,605)
Total Accumulated Depreciation	<u>(1,924,407)</u>	<u>(243,598)*</u>	<u>20,449</u>	<u>(2,147,556)</u>
Depreciable Capital Assets, Net	<u>3,017,490</u>	<u>220,597</u>	<u>0</u>	<u>3,238,087</u>
Governmental Activities Capital Assets, Net	<u>\$3,198,400</u>	<u>\$334,677</u>	<u>\$0</u>	<u>\$3,533,077</u>

* Depreciation expense was charged to governmental programs as follows:

General Government	\$6,523
Security of Persons and Property	58,859
Community Environment	15,404
Leisure Time Activities	51,517
Transportation	111,295
Total Depreciation Expense	<u>\$243,598</u>

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll.

The City's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$50,886, \$50,328, and \$58,699, respectively; 72.62 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$160 made by the City and \$114 made by plan members.

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Ohio Police and Fire Pension Fund

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

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contributions equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$83,190 and \$7,657 for the year ended December 31, 2008, \$89,807 and \$7,306 for the year ended December 31, 2007, and \$68,420 and \$6,443 for the year ended December 31, 2006. 75.86 percent for police and 78.80 percent for firefighters has been contributed for 2008. The full amount has been contributed for 2007 and 2006.

NOTE 11 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

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

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$50,886, \$50,328, and \$58,699, respectively; 72.62 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

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

Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

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

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

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

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 410(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$44,042 and \$2,996 for the year ended December 31, 2008, \$47,545 and \$2,859 for the year ended December 31, 2007, and \$45,128 and \$3,073 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 75.86 percent has been contributed for police and 78.80 percent has been contributed for firefighters for 2008.

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

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

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 12 – OTHER EMPLOYEE BENEFITS (continued)

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

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

Insurance Benefits

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

Deferred Compensation

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

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the City contracted with Hylant Group for insurance. The coverage and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$4,000,000/6,000,000	\$0
Employer's Liability (Ohio Stop Gap)	4,000,000	0
Employee Benefits Liability	1,000,000/3,000,000	0
Municipal Automobile Liability	4,000,000	Various

(continued)

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 13 – RISK MANAGEMENT (continued)

Type of Coverage	Coverage	Deductible
Law Enforcement Liability	\$4,000,000/6,000,000	\$2,500
Public Officials' Liability	4,000,000/6,000,000	2,500
Property	2,884,405	1,000
Earthquake Coverage	1,000,000	25,000
Flood Coverage	1,000,000	25,000
Legal Liability - Real Property	1,000,000	1,000
Crime	5,000/100,000	100
Terrorism Coverage:		
Building and Personal Property	2,884,405	25,000
Liability	1,000,000/3,000,000	5,000
Inland Marine:		
Special Property	75,000/176,350	500
Electronic Media	85,000/100,000	1,000
Boiler and Machinery Coverage	2,884,405	1,000/10,000

Settled claims have not exceeded the City's coverage in any of the last three years. There has been no significant reduction in coverage over the prior year.

NOTE 14 – TRANSFERS FROM/TO OTHER FUNDS

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

	Transfers To		
	Safety Tax Fund	Nonmajor Governmental Funds	Total
Transfers From			
General Fund	<u>\$60,000</u>	<u>\$315,462</u>	<u>\$375,462</u>

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 15 – CAPITAL LEASE

During 2008, the County entered into a capitalized lease for a copier machine in the amount of \$8,100. The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The lease is interest free. Principal payments in fiscal year 2008 totaled \$1,485.

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

The assets acquired through a capital lease as of December 31, 2008, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Vehicles and Equipment	\$8,100	(\$1,620)	\$6,480

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008:

Year Ending December 31,	Amount
2009	\$1,620
2010	1,620
2011	1,620
2012	1,620
2013	135
Present Value of Net Minimum Lease Payments	\$6,615

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 16 – LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2008 were as follows:

	Balance at December 31, 2007	Increase	Decrease	Balance at December 31, 2008	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
Various Purpose Refunding Bonds					
3.46% - 2003	\$100,922	\$0	\$100,922	\$0	\$0
Valley Auto Theater Property Bonds					
7.50% - 1990	45,000	0	15,000	30,000	15,000
Aquatic Facilities Bonds					
2.00% to 5.00% - 2002	1,080,000	0	55,000	1,025,000	60,000
Park Improvement Bonds					
3.89% - 2006	64,000	0	16,000	48,000	16,000
Various Purpose Bonds					
3.98% - 2007	100,000	0	20,000	80,000	20,000
Total - General Obligation Bonds	<u>1,389,922</u>	<u>0</u>	<u>206,922</u>	<u>1,183,000</u>	<u>111,000</u>
<u>Bond Anticipation Notes:</u>					
Property Acquisition Bond Anticipation Notes					
2.05% - 2008	0	500,000	0	500,000	0
<u>Other Long-Term Obligations:</u>					
Compensated Absences	146,729	71,730	73,334	145,125	48,815
Capital Leases Payable	0	8,100	1,485	6,615	1,620
Police Pension Liability	49,089	0	970	48,119	1,012
Total - Other Long-Term Obligations	<u>195,818</u>	<u>79,830</u>	<u>75,789</u>	<u>199,859</u>	<u>51,447</u>
Total - General Long-Term Obligations	<u>\$1,585,740</u>	<u>\$579,830</u>	<u>\$282,711</u>	<u>\$1,882,859</u>	<u>\$162,447</u>

The Various Purpose Refunding Bonds were issued in 2003 in the amount of \$471,969 for a period of five years and matured on August 20, 2008. The bonds were issued at a 3.46 percent interest rate for the purpose of refunding the 1997 Various Purpose and the 1997 Building Improvement General Obligation Bonds as well as the 2001 Fire Equipment Loan. The bond issue was repaid from the Safety Tax Special Revenue Fund and General Fund monies transferred to the Debt Service Fund.

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

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

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

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

On March 30, 2007, the City issued Various Purpose Bonds for \$100,000. The bonds have an interest rate of 3.98 percent and are due to mature March 30, 2011. The bonds were issued for the purpose of acquiring a new truck and computers for the City.

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

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

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,082,482, and the unvoted legal debt margin was \$3,432,339.

On March 27, 2008, the City issued Bond Anticipation Notes in the amount of \$500,000. The notes have an interest rate of 2.05 percent and are due to mature March 25, 2009. The notes were issued for the purpose of property acquisition for the City.

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2008, are:

	General Obligation Bonds	
	Principal	Interest
2009	\$111,000	\$59,592
2010	111,000	54,497
2011	101,000	49,966
2012	85,000	45,785
2013	70,000	42,625
2014-2018	405,000	151,525
2019-2021	300,000	33,550
Total	<u>\$1,183,000</u>	<u>\$437,540</u>

Principal and interest requirements to retire the City's police pension obligation at December 31, 2008, are:

	Police Pension	
	Principal	Interest
2009	\$1,012	\$2,034
2010	1,056	1,991
2011	1,101	1,946
2012	1,148	1,898
2013	1,197	1,849
2014-2018	6,804	8,428
2019-2023	8,396	6,835
2024-2028	10,361	4,871
2029-2033	12,786	2,446
2034-2035	4,258	179
Total	<u>\$48,119</u>	<u>\$32,477</u>

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE

Center for Local Government

The Center for Local Government (the Center) was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Center is governed by a five member board of trustees. Each of the trustees is the chief administrative officer of the entity that they represent. Trustees are volunteer members, ratified by the general members of the Center. The City does not have any financial interest in or responsibility for the Center. The amount the City contributed during 2008 was \$2,000. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio 45236.

Hamilton County Municipal League

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

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

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

Payments to the HCML are made from the General Fund. The amount the City contributed during 2008 was \$1,182. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio 45227.

City of Mt. Healthy, Hamilton County, Ohio

Notes To The Basic Financial Statements

For The Year Ended December 31, 2008

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (continued)

Joint Economic Development District

The City participates in a joint venture with Springfield Township of Hamilton County, the joint economic development district (the JEDD). The purpose of the JEDD is to facilitate economic development along the Hamilton Avenue Corridor and to create and preserve jobs and employment opportunities in the area of the contracting parties. The Board of Directors of the JEDD consists of five members, including one municipal member, one Township member, one business owner, one worker and one member selected by the other four members. The City Council selects the municipal member and the Township Board of Trustees selects the Township member. The Township Board of Trustees select the business and the worker members. The Board of Directors of the JEDD levied an income tax for the JEDD territory at the rate of one and one-half percent and entered into a contract with the City to collect and administer the taxes. Seventy-five percent of the income taxes collected will be distributed to the Township and twenty-five percent will be distributed to the City. The Township shall use a portion of the income taxes it receives from the JEDD to expand public services to the JEDD area. The City will provide transportation network improvements to benefit the JEDD area. The JEDD was not created until late 2008. Therefore, there was no financial activity during 2008.

NOTE 18 – CONTINGENT LIABILITIES

Litigation

The City is not party to any legal proceedings.

Federal and State Grants

For the period January 1, 2008 to December 31, 2008, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 19 – SUBSEQUENT EVENTS

On March 24, 2009, the City reissued the Property Acquisition Bond Anticipation Note in the amount of \$515,000 at a rate of 3.0 percent. The note will mature on March 23, 2010.

City of Mt. Healthy, Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

NOTE 20 – MT. HEALTHY COMMUNITY IMPROVEMENT CORPORATION

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

Basis of Accounting

The CIC prepares financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues to the CIC consisted primarily of investment earnings from a savings account. The CIC's expenditures for 2008 included professional fees for strategic planning and environmental studies. The CIC had no investments as of December 31, 2008.

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



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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Mt. Healthy, Hamilton County, Ohio's basic financial statements and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Mt. Healthy, Hamilton County, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Mt. Healthy, Hamilton County, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Mt. Healthy, Hamilton County, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Mt. Healthy, Hamilton County, Ohio's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mt. Healthy, Hamilton County, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item numbered 2008-001.

CERTIFIED PUBLIC ACCOUNTANTS

4705 Lake Forest Drive
Cincinnati, Ohio 45242

513/483.6699 Fax: 513.483.6690
800/378.8606



We noted certain matters that we reported to management of City of Mt. Healthy, Hamilton County, Ohio, in a separate letter dated December 10, 2009.

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

A handwritten signature in black ink, consisting of the letters 'C', 'S', and 'A' in a stylized, cursive font.

December 10, 2009

CITY OF MT. HEALTHY

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2008 - 001

Criteria:

Ohio Revised Code, Section 5705.41(B), provides that no taxing unit shall make any expenditure of money unless it has been appropriated.

Condition, Causes & Recommendation:

During 2008, expenditures exceeded the final appropriations.

Effect:

The City is not in compliance with the Ohio Revised Code.

Management Response:

The City Auditor will monitor budgetary controls more closely in the future to alleviate such compliance issues.

**CITY OF MT. HEALTHY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</u>
2007-001	Revised Code 5705.41(B), expenditures in excess of appropriations	No	Not corrected. Reissued as Finding 2008-001.



Mary Taylor, CPA
Auditor of State

CITY OF MT. HEALTHY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**