



MT. HEALTHY CITY SCHOOL DISTRICT

HAMILTON COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2003

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Board of Education
Mt. Healthy City School District
Cincinnati, Ohio

We have reviewed the Independent Auditor's Report of the Mt. Healthy City School District, Hamilton County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 26, 2004

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mt. Healthy City School District (the District) as of and for the year ended June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Board of Education
Mt. Healthy City School District
Independent Auditor's Report

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary comparison for the General Fund and the schedule of federal awards receipts and expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 23, 2004

MT. HEALTHY CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The discussion and analysis of Mt. Healthy City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$1.22 million representing a 33.2% increase from 2002.
- General revenues accounted for \$28.46 million in revenue or 81.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6.45 million or 18.5% of total revenues of \$34.91 million.
- Total assets of governmental activities increased by \$1.13 million as taxes receivable increased by \$1.15 million while cash and other receivables decreased by \$0.49 million.
- The District had \$32.21 million in expenses related to governmental activities; \$5.08 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$28.25 million were not adequate to provide for these programs.
- As the major fund, the General Fund had \$29.30 million in revenues and \$28.19 million in expenditures. The General Fund's balance increased from \$0.71 to \$1.60 million.

Using this Basic Financial Statement Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service and special enterprises are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Assets						
Current and Other Assets	\$14,089,500	\$14,535,844	\$148,975	\$250,327	\$14,238,475	\$14,786,171
Capital Assets	<u>5,102,853</u>	<u>4,487,929</u>	<u>185,416</u>	<u>162,351</u>	<u>5,288,269</u>	<u>4,650,280</u>
Total Assets	<u>19,192,353</u>	<u>19,023,773</u>	<u>334,391</u>	<u>412,678</u>	<u>19,526,744</u>	<u>19,436,451</u>
Liabilities						
Long-Term Liabilities	450,296	1,485,922	0	33,054	450,296	1,518,976
Other Liabilities	<u>15,149,026</u>	<u>12,817,409</u>	<u>241,252</u>	<u>190,134</u>	<u>15,390,278</u>	<u>13,007,543</u>
Total Liabilities	<u>15,599,322</u>	<u>14,303,331</u>	<u>241,252</u>	<u>223,188</u>	<u>15,840,574</u>	<u>14,526,519</u>
Net Assets						
Invested in Capital						
Assets Net of Related Debt	3,210,608	4,218,193	0	162,351	3,210,608	4,380,544
Restricted	149,417	196,309	0	0	149,417	196,309
Unrestricted	<u>233,006</u>	<u>305,940</u>	<u>93,139</u>	<u>27,139</u>	<u>326,145</u>	<u>333,079</u>
Total Net Assets	<u>\$3,593,031</u>	<u>\$4,720,442</u>	<u>\$93,139</u>	<u>\$189,490</u>	<u>\$3,686,170</u>	<u>\$4,909,932</u>

Total assets decreased \$0.09 million. Equity in pooled cash and cash equivalents increased \$0.03 million. Taxes receivable increased \$1.15 million. Total liabilities decreased \$1.31 million, resulting in a net asset increase of \$1.22 million.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
Revenues			
Program Revenues:			
Charges for Services	\$673,644	\$441,181	\$1,114,825
Operating Grants	4,333,589	922,751	5,256,340
Capital Grants	75,959	0	75,959
General Revenue:			
Property Taxes	11,408,107	0	11,408,107
Grants and Entitlements	16,597,710	0	16,597,710
Other	<u>244,770</u>	<u>212,434</u>	<u>457,204</u>
Total Revenues	<u>33,333,779</u>	<u>1,576,366</u>	<u>34,910,145</u>
Program Expenses:			
Instruction	19,232,929	0	19,232,929
Support Services:			
Pupil and Instructional Staff Board, Administrative, Fiscal and Business	4,235,331	0	4,235,331
Operations and Maintenance	3,036,297	0	3,036,297
Pupil Transportation	2,725,922	0	2,725,922
Central	1,697,987	0	1,697,987
Community Services	269,412	0	269,412
Extracurricular Activities	245,719	0	245,719
Interest and Fiscal Charges	739,003	0	739,003
Food Service	23,768	0	23,768
Special Enterprises	0	1,220,457	1,220,457
	<u>0</u>	<u>259,558</u>	<u>259,558</u>
Total Expenses	<u>32,206,368</u>	<u>1,480,015</u>	<u>33,686,383</u>
Increase in Net Assets	<u>\$1,127,411</u>	<u>\$96,351</u>	<u>\$1,223,762</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 83.6% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 34.2% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 60% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other expenses and interest expense was 3%. Interest expense was attributable to the outstanding bond.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
	<u>2003</u>	<u>2003</u>
Instruction	\$19,232,929	\$16,324,078
Support Services:		
Pupil and Instructional Staff	4,235,331	2,823,596
Board, Administration, Fiscal and Business	3,036,297	2,897,201
Operations and Maintenance	2,725,922	2,643,346
Pupil Transportation	1,697,987	1,619,678
Central	269,412	243,704
Community Services	245,719	28,187
Extracurricular Activities	739,003	519,618
Interest and Fiscal Charges	<u>23,768</u>	<u>23,768</u>
Total Expenses	<u>\$32,206,368</u>	<u>\$27,123,176</u>

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$33,321,665 and expenditures and other financing uses of \$32,471,623. The net change in fund balance for the year was \$850,042 or 203%.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget numerous times; however, none of the amendments were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$28.20 million, below original budget estimates of \$28.33 million. Of this \$0.13 million difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$0.57 million above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$4.65 million invested in land, buildings, and equipment. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Land	\$359,151	\$359,151	\$0	\$0	\$359,151	\$359,151
Buildings and Improvements	3,598,697	3,185,202	52,593	50,298	3,651,290	3,235,500
Equipment	<u>1,145,005</u>	<u>943,576</u>	<u>132,823</u>	<u>112,053</u>	<u>1,277,828</u>	<u>1,055,629</u>
Total Net Assets	<u>\$5,102,853</u>	<u>\$4,487,929</u>	<u>\$185,416</u>	<u>\$162,351</u>	<u>\$5,288,269</u>	<u>\$4,650,280</u>

The decrease in capital assets is due to recognition of \$0.71 million in depreciation, offset by \$0.07 million in equipment purchases. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2003, the District had \$269,736 in general obligation bonds, \$115,893 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2002</u>	Governmental Activities <u>2003</u>
General Obligation Bonds:		
Energy Conservation	<u>\$379,605</u>	<u>\$269,736</u>
Total Outstanding Debt at Year End	<u>\$379,605</u>	<u>\$269,736</u>

For the Future

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

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

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

Contacting the District’s Financial Management

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

Mt. Healthy City School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$2,202,075	\$130,817	\$2,332,892
Restricted Cash and Investments	168,887	0	168,887
Receivables:			
Taxes	11,647,145	0	11,647,145
Accounts	3,446	456	3,902
Intergovernmental	503,760	94,660	598,420
Internal Balances	10,531	(10,531)	0
Inventory	0	34,925	34,925
Nondepreciable Capital Assets	359,151	3,454	362,605
Depreciable Capital Assets, Net	4,128,778	158,897	4,287,675
Total Assets	19,023,773	412,678	19,436,451
Liabilities:			
Accounts Payable	106,314	1,153	107,467
Accrued Wages and Benefits	4,520,327	161,251	4,681,578
Accrued Interest Payable	4,423	0	4,423
Deferred Revenue	8,186,345	27,730	8,214,075
Long-Term Liabilities:			
Due Within One Year	631,470	4,622	636,092
Due In More Than One Year	854,452	28,432	882,884
Total Liabilities	14,303,331	223,188	14,526,519
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,218,193	162,351	4,380,544
Restricted for:			
Capital Projects	196,309	0	196,309
Unrestricted	305,940	27,139	333,079
Total Net Assets	\$4,720,442	\$189,490	\$4,909,932

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$14,039,115	\$329,829	\$882,982	\$16,107
Special	4,013,405	12,951	855,930	0
Vocational	144,679	0	10,877	0
Other	1,035,730	0	800,175	0
Support Services:				
Pupil	1,958,787	1,284	529,492	0
Instructional Staff	2,276,544	23,657	857,302	0
General Administration	78,137	0	0	0
School Administration	2,204,872	5,281	132,497	0
Fiscal	590,895	0	1,318	0
Business	162,393	0	0	0
Operations and Maintenance	2,725,922	82,246	330	0
Pupil Transportation	1,697,987	0	18,457	59,852
Central	269,412	0	25,708	0
Community Services	245,719	0	217,532	0
Extracurricular Activities	739,003	218,396	989	0
Interest and Fiscal Charges	23,768	0	0	0
Total Governmental Activities	32,206,368	673,644	4,333,589	75,959
Business-Type Activities:				
Food Service	1,220,457	441,181	922,751	0
Special Enterprises	259,558	0	0	0
Total Business-Type Activities	1,480,015	441,181	922,751	0
Totals	\$33,686,383	\$1,114,825	\$5,256,340	\$75,959

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions

Investment Earnings

Refunds & Reimbursements

Other Revenues

Total General Revenues & Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$12,810,197)	\$0	(\$12,810,197)
(3,144,524)	0	(3,144,524)
(133,802)	0	(133,802)
(235,555)	0	(235,555)
(1,428,011)	0	(1,428,011)
(1,395,585)	0	(1,395,585)
(78,137)	0	(78,137)
(2,067,094)	0	(2,067,094)
(589,577)	0	(589,577)
(162,393)	0	(162,393)
(2,643,346)	0	(2,643,346)
(1,619,678)	0	(1,619,678)
(243,704)	0	(243,704)
(28,187)	0	(28,187)
(519,618)	0	(519,618)
(23,768)	0	(23,768)
(27,123,176)	0	(27,123,176)
0	143,475	143,475
0	(259,558)	(259,558)
0	(116,083)	(116,083)
(\$27,123,176)	(\$116,083)	(\$27,239,259)
11,271,134	0	11,271,134
136,973	0	136,973
16,597,710	0	16,597,710
1,430	0	1,430
65,407	4,623	70,030
166	0	166
177,767	207,811	385,578
28,250,587	212,434	28,463,021
1,127,411	96,351	1,223,762
3,593,031	93,139	3,686,170
\$4,720,442	\$189,490	\$4,909,932

Mt. Healthy City School District
 Balance Sheet
 Governmental Funds
 June 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Investments	\$1,817,725	\$384,350	\$2,202,075
Restricted Cash and Investments	168,887	0	168,887
Receivables:			
Taxes	11,582,145	65,000	11,647,145
Accounts	3,446	0	3,446
Intergovernmental	0	503,760	503,760
Interfund	156,994	4,387	161,381
Total Assets	<u>13,729,197</u>	<u>957,497</u>	<u>14,686,694</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	72,675	33,639	106,314
Accrued Wages and Benefits	3,792,007	532,125	4,324,132
Compensated Absences	136,256	8,570	144,826
Accrued Interest Payable	0	4,423	4,423
Interfund Payable	4,623	146,227	150,850
Deferred Revenue	8,121,345	566,940	8,688,285
Total Liabilities	<u>12,126,906</u>	<u>1,291,924</u>	<u>13,418,830</u>
Fund Balances:			
Reserved for Encumbrances	88,381	99,701	188,082
Reserved for Property Tax Advances	3,460,800	0	3,460,800
Reserved for Set Asides	168,887	0	168,887
Unreserved, Undesignated, Reported in:			
General Fund	(2,115,777)	0	(2,115,777)
Special Revenue Funds	0	(614,089)	(614,089)
Debt Service Funds	0	(4,423)	(4,423)
Capital Projects Funds	0	184,384	184,384
Total Fund Balances	<u>1,602,291</u>	<u>(334,427)</u>	<u>1,267,864</u>
Total Liabilities and Fund Balances	<u>\$13,729,197</u>	<u>\$957,497</u>	<u>\$14,686,694</u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balance	\$1,267,864
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.	4,487,929
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	501,940
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(1,267,555)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(269,736)</u>
Net Assets of Governmental Activities	<u><u>\$4,720,442</u></u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$11,271,135	\$136,973	\$11,408,108
Tuition and Fees	380,408	0	380,408
Investment Earnings	64,778	629	65,407
Intergovernmental	17,457,737	3,312,047	20,769,784
Extracurricular Activities	0	178,268	178,268
Other Revenues	130,828	162,181	293,009
Total Revenues	29,304,886	3,790,098	33,094,984
Expenditures:			
Current:			
Instruction:			
Regular	12,742,596	1,093,842	13,836,438
Special	3,295,189	701,853	3,997,042
Vocational	133,554	10,905	144,459
Other	1,035,730	0	1,035,730
Support Services:			
Pupil	1,294,138	674,524	1,968,662
Instructional Staff	1,546,302	729,490	2,275,792
General Administration	77,822	315	78,137
School Administration	2,138,621	130,869	2,269,490
Fiscal	591,214	11,140	602,354
Business	164,343	0	164,343
Operations and Maintenance	2,738,825	3,772	2,742,597
Pupil Transportation	1,641,404	41,318	1,682,722
Central	226,636	42,798	269,434
Community Services	10,981	234,738	245,719
Extracurricular Activities	510,077	229,914	739,991
Capital Outlay	43,352	16,364	59,716
Debt Service:			
Principal Retirement	0	109,869	109,869
Interest and Fiscal Charges	0	23,768	23,768
Total Expenditures	28,190,784	4,055,479	32,246,263
Excess of Revenues Over (Under) Expenditures	1,114,102	(265,381)	848,721
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	1,321	0	1,321
Transfers In	99	225,261	225,360
Transfers (Out)	(224,916)	(444)	(225,360)
Total Other Financing Sources (Uses)	(223,496)	224,817	1,321
Net Change in Fund Balance	890,606	(40,564)	850,042
Fund Balance Beginning of Year	711,685	(293,863)	417,822
Fund Balance End of Year	\$1,602,291	(\$334,427)	\$1,267,864

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balance - Total Governmental Funds	\$850,042
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(614,924)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	237,474
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	109,869
Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	544,950
Change in Net Assets of Governmental Activities	<u>\$1,127,411</u>

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-Type Activities -Enterprise Funds		
	Food Service	Special Enterprises	Total Business-Type Activities
Assets:			
Equity in Pooled Cash and Investments	\$130,817	\$0	\$130,817
Receivables:			
Accounts	456	0	456
Intergovernmental	94,660	0	94,660
Interfund	4,623	0	4,623
Inventory	34,925	0	34,925
Total Current Assets	265,481	0	265,481
Nondepreciable Capital Assets	3,454	0	3,454
Depreciable Capital Assets, Net	158,897	0	158,897
Total Assets	427,832	0	427,832
Liabilities:			
Current Liabilities:			
Accounts Payable	1,153	0	1,153
Accrued Wages and Benefits	131,363	29,888	161,251
Compensated Absences	659	3,963	4,622
Interfund Payable	7,386	7,768	15,154
Deferred Revenue	27,730	0	27,730
Total Current Liabilities	168,291	41,619	209,910
Long-Term Liabilities:			
Compensated Absences	28,021	411	28,432
Total Liabilities	196,312	42,030	238,342
Net Assets:			
Invested in Capital Assets, Net of Related Debt	162,351	0	162,351
Unrestricted	69,169	(42,030)	27,139
Total Net Assets	\$231,520	(\$42,030)	\$189,490

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	<u>Business-Type Activities -Enterprise Funds</u>		
	<u>Food Service</u>	<u>Special Enterprises</u>	<u>Total Business-Type Activities</u>
Operating Revenues:			
Sales	\$441,181	\$0	\$441,181
Other Revenues	0	207,811	207,811
Total Operating Revenues	441,181	207,811	648,992
Operating Expenses:			
Personal Services	660,663	240,111	900,774
Contactual Services	30,919	222	31,141
Materials and Supplies	500,784	19,225	520,009
Depreciation	24,740	0	24,740
Other Expenses	3,351	0	3,351
Total Operating Expenses	1,220,457	259,558	1,480,015
Operating Income (Loss)	(779,276)	(51,747)	(831,023)
Non-Operating Revenues (Expenses):			
Investment Earnings	4,623	0	4,623
Donated Commodities	124,613	0	124,613
Operating Grants	798,138	0	798,138
Total Non-Operating Revenues (Expenses)	927,374	0	927,374
Income (Loss) Before Contributions & Transfers	148,098	(51,747)	96,351
Change in Net Assets	148,098	(51,747)	96,351
Net Assets Beginning of Year	83,422	9,717	93,139
Net Assets End of Year	\$231,520	(\$42,030)	\$189,490

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	<u>Business-Type Activities -Enterprise Funds</u>		
	<u>Food Service</u>	<u>Special Enterprises Fund</u>	<u>Total Business-Type Activities</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$441,724	\$207,811	\$649,535
Cash Payments to Employees	(712,988)	(205,849)	(918,837)
Cash Payments to Suppliers	(417,260)	(19,677)	(436,937)
Net Cash Provided (Used) by Operating Activities	<u>(688,524)</u>	<u>(17,715)</u>	<u>(706,239)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	703,478	0	703,478
Payments from Other Funds	0	7,768	7,768
Net Cash Provided (Used) by Noncapital Financing Activities	<u>703,478</u>	<u>7,768</u>	<u>711,246</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(1,675)	0	(1,675)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,675)</u>	<u>0</u>	<u>(1,675)</u>
Cash Flows from Investing Activities:			
Earnings on Investments	4,906	0	4,906
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>4,906</u>	<u>0</u>	<u>4,906</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,185	(9,947)	8,238
Cash and Cash Equivalents Beginning of Year	112,632	9,947	122,579
Cash and Cash Equivalents End of Year	<u>130,817</u>	<u>0</u>	<u>130,817</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	(779,276)	(51,747)	(831,023)
Adjustments:			
Depreciation	24,740	0	24,740
Donated Commodities	124,613	0	124,613
Changes in Assets & Liabilities:			
(Increase) Decrease in Receivables	543	0	543
(Increase) Decrease in Inventory	(14,444)	0	(14,444)
Increase (Decrease) in Payables	(3,837)	(230)	(4,067)
Increase (Decrease) in Accrued Liabilities	(52,325)	34,262	(18,063)
Increase (Decrease) in Deferred Revenue	11,462	0	11,462
Net Cash Provided (Used) by Operating Activities	<u>(\$688,524)</u>	<u>(\$17,715)</u>	<u>(\$706,239)</u>

Schedule of Noncash Capital Activities:

During the fiscal year, the Food Service Fund
received contributed food commodities valued at \$124,613

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$41,528
	<hr/>
Total Assets	<u>41,528</u>
	<hr/>
Liabilities:	
Accounts Payable	12,061
Other Liabilities	29,467
	<hr/>
Total Liabilities	<u>\$41,528</u>
	<hr/>

See accompanying notes to the basic financial statements.

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

1. DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 178 support staff personnel and approximately 282 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 10th largest in Hamilton County in terms of enrollment. It currently operates 6 elementary schools, 2 middle schools (grades 7-8), and 1 high school (grades 9-12).

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

REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. For business-type activities and proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

FUND ACCOUNTING

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

Governmental Funds

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The District's enterprise funds are:

Food Service Fund – This fund accounts for financial transactions related to the food service operations of the District.

Special Enterprises – This fund accounts for financial transactions related to the latchkey and preschool programs.

Fiduciary Funds

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

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also 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.

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$70,030.

For purposes of the statement of cash flows, the enterprise funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption.

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	5-30 years	5-30 years
Furniture, Fixtures, and Equipment	5-20 years	5-20 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements.

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

For governmental fund financial statements, the expenditures for compensated absences are recognized when paid, or in the case of termination benefits, when due for payment. These amounts due at year end are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in enterprise funds.

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

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

Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the government wide financial statements.

Fund Equity

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax advances and budgetary set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

4. CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS

Changes in Accounting Basis

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund.

**MT. HEALTHY CITY SCHOOL DISTRICT
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The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002.

Restatement of Fund Balance

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$685,128	(\$293,863)	\$391,265
Fund Reclassification	385,708	0	385,708
Adjusted Fund Balances, June 30, 2002	<u>\$1,070,836</u>	<u>(\$293,863)</u>	\$776,973
GASB 34 Adjustments:			
Capital Assets			\$4,743,702
Compensated Absences Payable			(1,637,192)
Deferred Revenue			264,466
Accrued Wages and Benefits			(175,313)
Long Term Liabilities			(379,605)
Governmental Activities Net Assets, June 30, 2002			<u>\$3,593,031</u>

5. CASH AND CASH EQUIVALENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Deposits – At the year end, the carrying amount of the District's deposits was \$1,400,117. The bank balance of deposits was \$1,909,392 of which \$279,460 was covered by federal depository insurance. The remaining balance was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

**MT. HEALTHY CITY SCHOOL DISTRICT
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Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
State Treasury Pool*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,143,190</u>
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,143,190</u>

*The District's Investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

6. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days of the fiscal year end are included as a receivable and tax revenue on the fund financial statements. All delinquent property taxes outstanding at June 30, 2003 are recognized as a revenue and receivable on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$3,460,800 for General Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations. The amount available for advance at June 30, 2002 was \$2,298,100 for General Fund, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2002 operations.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$297,053,490
Public Utility Personal	14,596,810
Tangible Personal Property	<u>13,535,690</u>
Total	<u>\$325,185,990</u>

7. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants, interest and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Government Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	<u>\$359,151</u>	<u>\$0</u>	<u>\$0</u>	<u>\$359,151</u>
Total Nondepreciable Capital Assets	<u>359,151</u>	<u>0</u>	<u>0</u>	<u>359,151</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	12,479,839	0	0	12,479,839
Equipment	<u>4,969,426</u>	<u>70,669</u>	<u>0</u>	<u>5,040,095</u>
Total Depreciable Capital Assets	<u>17,449,265</u>	<u>70,669</u>	<u>0</u>	<u>17,519,934</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	8,881,142	413,495	0	9,294,637
Equipment	<u>3,824,421</u>	<u>272,098</u>	<u>0</u>	<u>4,096,519</u>
Total Accumulated Depreciation	<u>12,705,563</u>	<u>685,593</u>	<u>0</u>	<u>13,391,156</u>
Depreciable Capital Assets, Net	<u>4,743,702</u>	<u>(614,924)</u>	<u>0</u>	<u>4,128,778</u>
Governmental Activities Capital Assets, Net	<u>\$5,102,853</u>	<u>(\$614,924)</u>	<u>\$0</u>	<u>\$4,487,929</u>
Business-Type Activities:				
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	\$118,203	\$0	\$0	\$118,203
Equipment	<u>479,175</u>	<u>1,675</u>	<u>0</u>	<u>480,850</u>
Total Depreciable Capital Assets	<u>597,378</u>	<u>1,675</u>	<u>0</u>	<u>599,053</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	65,610	2,295	0	67,905
Equipment	<u>346,352</u>	<u>22,445</u>	<u>0</u>	<u>368,797</u>
Total Accumulated Depreciation	<u>411,962</u>	<u>24,740</u>	<u>0</u>	<u>436,702</u>
Business-Type Activities Capital Assets, Net	<u>\$185,416</u>	<u>(\$23,065)</u>	<u>\$0</u>	<u>\$162,351</u>

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*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$548,712
Special	44,803
Support Services:	
Pupil	1,681
Instructional Staff	13,512
School Administration	25,149
Fiscal	986
Operations and Maintenance	17,651
Pupil Transportation	32,796
Extracurricular Activities	<u>303</u>
Total Depreciation Expense	<u>\$685,593</u>

9. LONG-TERM LIABILITIES

	Interest Rate	Issue Date	Maturity Date	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003	Due Within One Year
<u>Governmental Activities:</u>								
General Obligation Bonds:								
Energy Conservation	5.35%	7/27/95	07/01/05	<u>\$379,605</u>	<u>\$ 0</u>	<u>\$109,869</u>	<u>\$269,736</u>	<u>\$115,893</u>
Total General Obligation Bonds				379,605	0	109,869	269,736	115,893
Compensated Absences				<u>1,637,192</u>	<u>465,347</u>	<u>886,353</u>	<u>1,216,186</u>	<u>515,577</u>
Total Governmental Activities Long-Term Liabilities				<u>\$2,016,797</u>	<u>\$465,347</u>	<u>\$996,222</u>	<u>\$1,485,922</u>	<u>\$631,470</u>
<u>Business-Type Activities:</u>								
Compensated Absences				<u>\$55,024</u>	<u>\$88,353</u>	<u>\$55,299</u>	<u>\$88,078</u>	<u>\$4,622</u>

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

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$115,893	\$11,617	\$127,510
2005	122,248	5,262	127,510
2006	<u>31,595</u>	<u>282</u>	<u>31,877</u>
Totals	<u>\$269,736</u>	<u>\$17,161</u>	<u>\$286,897</u>

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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10. PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$651,012, \$611,700, and \$561,516 respectively; 47.8% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001.

State Teachers Retirement System

The District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,227,956, \$2,215,896, and \$2,021,544 respectively; 83.9% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001.

11. POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$716,129 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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12. CONTINGENT LIABILITIES

Grants

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

Litigation

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

13. RISK MANAGEMENT

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

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

The District carries performance bonds in the amount of \$20,000 for the Superintendent, Treasurer and Board President by Fidelity and Deposit Company of Maryland. The Indiana Insurance Company also maintains a \$5,000 public officials blanket bond for all employees. The District pays the Ohio State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides a minimum of \$45,000 life insurance and accidental death and dismemberment insurance policy to all employees through Union Central Life Insurance Co.

The District offers medical/surgical/hospitalization insurance benefits to all employees through Choice Care, which is a Health Care Maintenance Organization. The Board pays the monthly fixed premium for family or single benefits.

**MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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14. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

15. JOINTLY GOVERNED ORGANIZATIONS

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

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

16. ACCOUNTABILITY AND COMPLIANCE

Accountability

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
District Managed Activity	\$24,306
Management Information Systems	6,633
Disadvantaged Pupil Impact Aid	340,500
Special Education	108,084
Title I	124,613
Title V Innovative Projects	3,257
Drug Free Schools	228
IDEA Preschool Grant	15,655
Improving Teacher Quality	21,580
Debt Service	4,423
Enterprise:	
Special Enterprises	42,030

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The deficit fund balances in the Title I, Drug Free School and Debt Service Funds exist on the cash basis. These deficits are due to the District overspending these funds and they will be corrected through the receipt of future revenues.

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

Compliance

The District had expenditures in excess of appropriations for the fiscal year ended June 30, 2003 in the following funds:

Fund	Excess
Management Information System	\$220,911
Summer School	174,748

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

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

	<u>Capital</u>	<u>Stabilization</u>	<u>Budget</u>
	<u>Textbooks</u>	<u>Acquisition</u>	<u>Reserve</u>
Set-aside Reserve Balance as of June 30, 2002	\$0	\$0	\$168,887
Current Year Set-aside Requirement	520,624	520,624	0
Qualified Disbursements	(269,375)	(520,624)	0
Prior Year Disbursements Carried Forward	<u>(250,889)</u>	<u>0</u>	<u>0</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$168,887</u>
Restricted Cash as of June 30, 2003			<u>\$168,887</u>

Expenditures for instructional materials activity during the year totaled \$269,375.

Expenditures for capital activity during the year totaled \$768,783, which exceeded the amount required for the set-aside.

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

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Interfund Loan Receivable</u>	<u>Transfers In</u>	<u>Interfund Loan Payable</u>	<u>Transfers Out</u>
General Fund	\$156,994	\$ 99	\$ 4,623	\$224,916
Special Revenue:				
Public School	321	306	0	389
District Managed Activity	4,066	0	29,197	55
Management Information Systems	0	116,366	0	0
Summer Intervention	0	108,589	0	0
Special Education	0	0	47,529	0
Title I	0	0	50,414	0
Title V Innovative Projects	0	0	3,257	0
Drug Free Schools	0	0	175	0
IDEA Preschool Grant	0	0	15,655	0
Enterprise Fund:				
Food Service	4,623	0	7,386	0
Special Enterprises	<u>0</u>	<u>0</u>	<u>7,768</u>	<u>0</u>
 Total All Funds	 <u>\$166,004</u>	 <u>\$225,360</u>	 <u>\$166,004</u>	 <u>\$225,360</u>

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

Mount Healthy City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2003

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$10,154,975	\$10,054,701	\$10,108,435	\$53,734
Tuition and Fees	437,215	474,464	435,211	(39,253)
Interest	64,792	65,000	64,495	(505)
Intergovernmental	17,538,113	17,178,169	17,457,737	279,568
Extracurricular Activities	23,515	21,916	23,407	1,491
Other Revenues	107,449	97,938	106,957	9,019
Total Revenues	28,326,059	27,892,188	28,196,242	304,054
Expenditures:				
Current:				
Instruction:				
Regular	13,072,456	12,785,356	12,633,787	151,569
Special	3,397,891	3,300,450	3,283,869	16,581
Vocational	134,773	135,063	130,250	4,813
Other	1,087,490	1,155,534	1,050,997	104,537
Support Services:				
Pupil	1,401,940	1,293,584	1,354,895	(61,311)
Instructional Staff	1,576,838	1,543,235	1,523,924	19,311
General Administration	88,673	117,309	85,697	31,612
School Administration	2,298,953	2,273,538	2,221,808	51,730
Fiscal	611,919	564,547	591,385	(26,838)
Business	174,894	173,196	169,025	4,171
Operations and Maintenance	2,924,442	2,797,332	2,826,307	(28,975)
Pupil Transportation	1,782,144	1,824,150	1,722,341	101,809
Central	234,668	295,954	226,793	69,161
Community Services	12,274	13,537	11,862	1,675
Extracurricular Activities	528,387	547,601	510,656	36,945
Capital Outlay	44,991	1,690	43,481	(41,791)
Total Expenditures	29,372,733	28,822,076	28,387,077	434,999
Excess of Revenues Over (Under) Expenditures	(1,046,674)	(929,888)	(190,835)	739,053
Other financing sources (uses):				
Proceeds from Sale of Fixed Assets	1,327	956	1,321	365
Advances In	25,063	24,948	24,948	0
Advances (Out)	(131,056)	(24,948)	(126,658)	(101,710)
Transfers In	99	0	99	99
Transfers (Out)	(232,766)	(157,450)	(224,955)	(67,505)
Total Other Financing Sources (Uses)	(337,333)	(156,494)	(325,245)	(168,751)
Net Change in Fund Balance	(1,384,007)	(1,086,382)	(516,080)	570,302
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,355,822	2,355,822	2,355,822	0
Fund Balance End of Year	\$971,815	\$1,269,440	\$1,839,742	\$570,302

See accompanying notes to required supplementary information.

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

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

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

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

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$890,606
Net Adjustment for Revenue Accruals	(1,083,696)
Net Adjustment for Expenditure Accruals	(176,446)
Encumbrances	<u>(146,544)</u>
Budget Basis	<u>(\$516,080)</u>

Mt. Healthy City School District
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2003

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU 2003	10.553	\$125,008	\$125,008
National School Lunch Program	04-PU 2003	10.555	546,223	546,223
Total Nutrition Cluster			671,231	671,231
Child and Adult Care Food Program	21-ML 2003	10.558	2,562	2,562
Total U.S. Department of Agriculture			673,793	673,793
<u>U.S. Department of Health & Human Services</u>				
<i>Passed Through Ohio Department of Mental Retardation:</i>				
Medical Assistance Program (Medicare; Title XIX)	3100441	93.778	166,035	166,035
Total U.S. Department of Health & Human Services			166,035	166,035
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 02/03	84.010	974,590	632,904
<i>Special Education Cluster:</i>				
Special Education - Grants to States (IDEA Part B)	6B-SF 2003 P	84.027	497,208	450,419
Special Education - Preschool Grants	PG-S1-2002P	84.173	3,437	19,902
Total Special Education Cluster			500,645	470,321
Safe and Drug-Free Schools and Communities	DR-S1-02/03	84.186	48,539	41,943
Goals 2000: Improvement Grants	G2-S1 01/02	84.276	0	1,646
Eisenhower Professional Development Grant	MS-S1 2002	84.281	2,301	12,545
Innovative Educational Program Strategies	C2-S1 2003	84.298	19,895	30,904
Technology Literacy Challenge Grant	TJ-S1 03	84.318	11,440	9,627
Advanced Placement Program	---	84.330	350	350
Class Size Reduction	CR-S1 2002	84.340	77,299	9,663
Title I Accountability Grant	AK-S1 03	84.348	25,645	79,390
School Renovation Grant	AT-S1 02/03	84.352	25,406	24,280
Improving Teacher Quality State Grants	TR-S1 2003	84.367	146,008	133,593
Total U.S. Department of Education			1,331,473	976,845
Total Federal Financial Assistance			\$2,671,946	\$2,286,994

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2003, the District received \$124,613 and used \$110,145 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2003 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mt. Healthy City School District (the District), as of and for the year ended June 30, 2003 and have issued our report thereon dated August 23, 2004. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2003-001, 2003-002, and 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated August 23, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We did note other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated August 23, 2004.

Board of Education
Mt. Healthy City School District
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 23, 2004

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133**

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

Compliance

We have audited the compliance of the Mt. Healthy City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education
Mt. Healthy City School District
Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A -133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 23, 2004

MT. HEALTHY CITY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2003

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	Nutrition Cluster CFDA #10.550, 10.553, 10.555 Special Education Cluster CFDA #84.027, 84.173
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	Yes

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

Finding Number	2003-001
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Ohio Revised Code Section 5705.39 states that appropriations are to be limited by the estimated resources of a fund. The District had appropriations that exceeded estimated resources in the Ohio Reads, Title I, and the Permanent Improvement Funds. This could lead to the District spending more money than they actually receive.

The District should monitor each fund so that appropriations do not exceed estimated resources. If necessary, amendments to the appropriations should be made to reduce the amount available.

MT. HEALTHY CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2003

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

<i>Finding Number</i>	2003-002
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Ohio Revised Code Section 5705.40 states that no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Additionally, Ohio Revised Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The District had expenditures that exceeded the appropriations at the fund level in the MIS Fund and the Summer School Fund. This situation can lead to the District expending more than is actually available to spend in a fund.

The District must closely monitor each fund to determine that sufficient appropriations exist before any expenditures or encumbrances are made.

<i>Finding Number</i>	2003-003
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Ohio Revised Code Section 5705.09, in summary, states that each subdivision shall establish a general fund and other individual specific funds which are designed for specific purposes. Ohio Revised Code Section 5705.10, in summary, further states that the money paid into any individual fund shall be used only for the purposes for which such fund is established. The District had several individual funds that carried a negative fund cash balance at year end. These negative fund cash balances indicate that the District overspent the available cash balance in these individual funds, and therefore, used money from another fund(s) which was established for a different purpose.

The District needs to closely monitor the activity of each individual fund and not allow any individual fund to be overspent. If the available fund cash balance is not sufficient to cover expenditures that need to be made, advances can be made from the general fund to cover such expenditures until adequate revenues are received and the advances can be repaid.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

MT. HEALTHY CITY SCHOOL DISTRICT

Schedule of Prior Audit Findings
For the Year Ended June 30, 2003

Description	Status	Comments
<i>Government Auditing Standards:</i>		
1. ORC 5705.39 - appropriations should not exceed estimated resources.	Not fully corrected	The Treasurer will monitor this situation more closely.
2. The District did not make all of the required debt payments.	Corrected	None
3. ORC 5705.10 - money paid into a fund shall be used for the purposes for which said fund was established (i.e. - deficit cash fund balances).	Not fully corrected	The Treasurer will monitor this situation more closely.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**MT. HEALTHY CITY SCHOOL DISTRICT
HAMILTON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**