

MT. HEALTHY CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Mt. Healthy City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 3, 2008

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January 31, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mt. Healthy City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt. Healthy City School District, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants

**MT. HEALTHY CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2007
(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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$1,962,635 representing a 30% increase from 2006.
- General revenues accounted for \$30,344,902 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,810,027 or 28% of total revenues of \$42,154,929.
- The District had \$40,192,294 in expenses related to governmental activities; \$11,810,027 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$30,344,902 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2007?” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

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

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

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

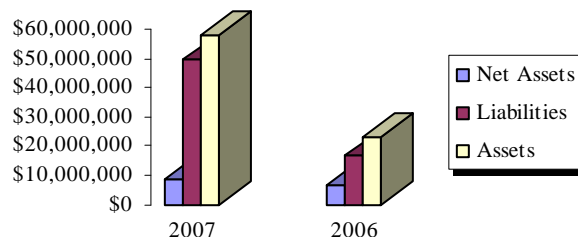
Other Information. In addition to the basic financial statements and accompanying notes, this report contains required supplementary information concerning the budget of the General Fund.

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 2007 compared to 2006:

	Governmental Activities	
	2007	2006
Assets		
Current Assets	\$53,357,629	\$18,551,794
Capital Assets	4,687,158	4,583,644
Total Assets	58,044,787	23,135,438
Liabilities		
Long-Term Liabilities	2,898,170	2,738,339
Other Liabilities	46,574,512	13,787,629
Total Liabilities	49,472,682	16,525,968
Net Assets		
Invested in Capital		
Assets Net of Debt	3,515,890	3,773,817
Restricted	2,423,258	612,222
Unrestricted	2,632,957	2,223,431
Total Net Assets	\$8,572,105	\$6,609,470



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's net assets exceeded liabilities by \$8,572,105.

At year-end, capital assets represented 8% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2007, was \$3,515,890. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net assets of \$2,632,957 may be used to meet the District's ongoing obligations to the students and creditors.

Current assets and other liabilities increased mainly due to the issuance of \$33,000,000 in short-term school improvements bond anticipation notes.

Table 2 shows the change in net assets for fiscal year 2007 compared to 2006.

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues		
Program Revenues:		
Charges for Services	\$1,354,519	\$1,427,316
Operating Grants	8,871,784	8,054,030
Capital Grants	1,583,724	66,396
General Revenue:		
Property Taxes	12,455,973	12,330,691
Grants and Entitlements	17,208,999	16,973,261
Other	679,930	396,703
Total Revenues	<u>42,154,929</u>	<u>39,248,397</u>
Program Expenses:		
Instruction	21,959,913	22,016,831
Support Services:		
Pupil and Instructional Staff	5,491,890	5,074,674
General and School Administrative, Fiscal and Business	3,847,069	3,537,788
Operations and Maintenance	3,514,868	3,551,609
Pupil Transportation	2,277,113	2,238,542
Central	281,866	269,863
Operation of Non-Instructional Services	2,002,733	1,887,848
Extracurricular Activities	782,956	783,878
Interest and Fiscal Charges	33,886	28,747
Total Expenses	<u>40,192,294</u>	<u>39,389,780</u>
Change in Net Assets	\$1,962,635	(\$141,383)
Beginning Net Assets	<u>6,609,470</u>	<u>6,750,853</u>
Ending Net Assets	<u>\$8,572,105</u>	<u>\$6,609,470</u>

Of the total governmental activities revenues of \$42,154,929, \$11,810,027 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens.

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 70% 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 30% of revenue for governmental activities for the District in fiscal year 2007.

Capital grants and contributions increased in 2007 as compared to 2006 due to the District receiving approximately a \$1.5 million classroom facilities state grant for the purposes of renovating various classrooms throughout the District. Total expenses increased a modest 2% mainly due to general inflationary costs.

Instruction comprises 55% of governmental program expenses. Support services expenses were 38% of governmental program expenses. All other expenses and interest expense was 7%. 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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction	\$21,959,913	\$22,016,831	(\$15,046,592)	(\$17,289,789)
Support Services:				
Pupil and Instructional Staff	5,491,890	5,074,674	(3,169,136)	(2,908,389)
General and School Administrative, Fiscal and Business	3,847,069	3,537,788	(3,604,704)	(3,241,681)
Operations and Maintenance	3,514,868	3,551,609	(3,407,864)	(3,414,872)
Pupil Transportation	2,277,113	2,238,542	(2,133,161)	(2,064,936)
Central	281,866	269,863	(281,866)	(269,863)
Operation of Non-Instructional Services	2,002,733	1,887,848	(59,839)	(4,214)
Extracurricular Activities	782,956	783,878	(646,333)	(619,547)
Interest and Fiscal Charges	33,886	28,747	(32,772)	(28,747)
Total Expenses	<u>\$40,192,294</u>	<u>\$39,389,780</u>	<u>(\$28,382,267)</u>	<u>(\$29,842,038)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Building Fund. Assets of both funds comprised \$50,638,428 (94%) of the total \$53,712,534 governmental funds assets.

General Fund: Fund balance at June 30, 2007 was \$4,170,604 an increase in fund balance of \$1,083,629 from 2006. The primary reason for the increase in fund balance was due to an increase in taxes and intergovernmental revenue.

Building Fund: Fund balance at June 30, 2007 was (\$79,420), a decrease in fund balance of \$79,420. The primary reason for the decrease in fund balance is due to an increase in capital outlay expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$31,790,557.

The District's ending unobligated cash balance was \$3,963,442.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$4,687,158 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2007 balances compared to fiscal 2006:

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

	Governmental Activities	
	2007	2006
Land	\$359,151	\$359,151
Construction in Progress	508,247	0
Buildings and Improvements	2,898,955	3,175,781
Equipment	920,805	1,048,712
Total Net Capital Assets	<u>\$4,687,158</u>	<u>\$4,583,644</u>

The increase in capital assets is due to the start of the classroom facilities renovation project. This District continues its ongoing commitment to maintaining and improving its capital assets.

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

Debt

At June 30, 2007, the District had \$296,091 in an Energy Conservation Loan and \$366,930 in capital leases, \$153,320 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Energy Conservation	\$296,091	\$354,651
Capital Leases	366,930	455,176

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

For the Future

A challenge facing the School District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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

Contacting the District's Financial Management

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

Mount Healthy School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$38,424,395
Restricted Cash and Investments	722,484
Receivables:	
Taxes	13,260,736
Accounts	42,578
Intergovernmental	855,894
Inventory	51,542
Nondepreciable Capital Assets	867,398
Depreciable Capital Assets, Net	<u>3,819,760</u>
Total Assets	<u>58,044,787</u>
Liabilities:	
Accounts Payable	256,991
Accrued Wages and Benefits	5,061,925
Accrued Interest Payable	6,585
Contracts Payable	508,247
Unearned Revenue	7,740,764
Bond Anticipation Notes Payable	33,000,000
Long-Term Liabilities:	
Due Within One Year	571,963
Due In More Than One Year	<u>2,326,207</u>
Total Liabilities	<u>49,472,682</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,515,890
Restricted for:	
Debt Service	109,077
Capital Projects	1,591,697
Set-Aside	722,484
Unrestricted	<u>2,632,957</u>
Total Net Assets	<u>\$8,572,105</u>

See accompanying notes to the basic financial statements.

Mount Healthy School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$13,901,832	\$344,771	\$1,287,703	\$1,542,865	(\$10,726,493)
Special	5,085,465	267,244	3,263,906	0	(1,554,315)
Vocational	174,044	53	47,422	0	(126,569)
Other	2,798,572	0	159,357	0	(2,639,215)
Support Services:					
Pupil	2,196,832	0	838,218	0	(1,358,614)
Instructional Staff	3,295,058	32,342	1,452,194	0	(1,810,522)
General Administration	107,953	0	0	0	(107,953)
School Administration	2,717,084	64,608	176,561	0	(2,475,915)
Fiscal	803,238	0	1,196	0	(802,042)
Business	218,794	0	0	0	(218,794)
Operations and Maintenance	3,514,868	105,717	1,287	0	(3,407,864)
Pupil Transportation	2,277,113	0	103,093	40,859	(2,133,161)
Central	281,866	0	0	0	(281,866)
Operation of Non-Instructional Services	2,002,733	410,813	1,532,081	0	(59,839)
Extracurricular Activities	782,956	128,971	7,652	0	(646,333)
Interest and Fiscal Charges	33,886	0	1,114	0	(32,772)
Total Governmental Activities	40,192,294	1,354,519	8,871,784	1,583,724	(28,382,267)

General Revenues:

Property Taxes Levied for:

General Purposes	12,371,790
Debt Service Purposes	84,183
Grants and Entitlements not Restricted to Specific Programs	17,208,999
Investment Earnings	237,342
Other Revenues	442,588

Total General Revenues 30,344,902

Change in Net Assets 1,962,635

Net Assets Beginning of Year 6,609,470

Net Assets End of Year \$8,572,105

See accompanying notes to the basic financial statements.

Mount Healthy School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,266,080	\$32,999,376	\$2,158,939	\$38,424,395
Restricted Cash and Investments	722,484	0	0	722,484
Receivables:				
Taxes	13,260,736	0	0	13,260,736
Accounts	21,199	0	21,379	42,578
Intergovernmental	73,383	0	782,511	855,894
Interfund	295,170	0	59,735	354,905
Inventory	0	0	51,542	51,542
Total Assets	17,639,052	32,999,376	3,074,106	53,712,534
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	191,407	0	65,584	256,991
Accrued Wages and Benefits	4,101,759	0	960,166	5,061,925
Compensated Absences	325,546	0	0	325,546
Contracts Payable	0	78,796	429,451	508,247
Interfund Payable	0	0	354,905	354,905
Deferred Revenue	8,849,736	0	522,085	9,371,821
Bond Anticipation Notes Payable	0	33,000,000	0	33,000,000
Total Liabilities	13,468,448	33,078,796	2,332,191	48,879,435
Fund Balances:				
Reserved for Encumbrances	282,928	162,360	273,625	718,913
Reserved for Inventory	0	0	51,542	51,542
Reserved for Property Tax Advances	4,411,000	0	0	4,411,000
Reserved for Set-Aside	722,484	0	0	722,484
Unreserved, Undesignated, Reported in:				
General Fund	(1,245,808)	0	0	(1,245,808)
Special Revenue Funds	0	0	(831,775)	(831,775)
Debt Service Funds	0	0	88,927	88,927
Capital Projects Funds	0	(241,780)	1,159,596	917,816
Total Fund Balances	4,170,604	(79,420)	741,915	4,833,099
Total Liabilities and Fund Balances	\$17,639,052	\$32,999,376	\$3,074,106	\$53,712,534

See accompanying notes to the basic financial statements.

Mount Healthy School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balance \$4,833,099

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. 4,687,158

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

Delinquent Property Taxes	1,108,972	
Intergovernmental	<u>522,085</u>	
		1,631,057

In the statement of net assets interest payable is accrued when
incurred, whereas in the governmental funds interest is
reported as a liability only when it will require the use of
current financial resources. (6,585)

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

Compensated Absences	<u>(1,909,603)</u>	
		(1,909,603)

Long-term liabilities, are not due and payable in the current
period and therefore are not reported in the funds. (663,021)

Net Assets of Governmental Activities \$8,572,105

See accompanying notes to the basic financial statements.

Mount Healthy School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$12,439,203	\$0	\$84,183	\$12,523,386
Tuition and Fees	641,818	0	0	641,818
Investment Earnings	227,560	0	9,782	237,342
Intergovernmental	19,235,148	0	8,157,025	27,392,173
Extracurricular Activities	32,133	0	99,438	131,571
Charges for Services	0	0	410,813	410,813
Other Revenues	285,493	0	327,411	612,904
Total Revenues	32,861,355	0	9,088,652	41,950,007
Expenditures:				
Current:				
Instruction:				
Regular	12,194,210	0	1,302,983	13,497,193
Special	3,642,322	0	1,379,624	5,021,946
Vocational	165,878	0	8,166	174,044
Other	2,638,637	0	159,935	2,798,572
Support Services:				
Pupil	1,290,384	0	984,053	2,274,437
Instructional Staff	1,647,162	0	1,519,024	3,166,186
General Administration	107,953	0	0	107,953
School Administration	2,375,480	0	226,595	2,602,075
Fiscal	753,585	0	16,224	769,809
Business	221,588	0	0	221,588
Operations and Maintenance	3,337,056	0	100,564	3,437,620
Pupil Transportation	2,241,142	0	3,008	2,244,150
Central	306,535	0	0	306,535
Operation of Non-Instructional Services	59,688	0	1,903,623	1,963,311
Extracurricular Activities	578,194	0	188,693	766,887
Capital Outlay	40,349	79,420	429,451	549,220
Debt Service:				
Principal Retirement	26,497	0	120,309	146,806
Interest and Fiscal Charges	5,072	0	29,262	34,334
Total Expenditures	31,631,732	79,420	8,371,514	40,082,666
Excess of Revenues Over (Under) Expenditures	1,229,623	(79,420)	717,138	1,867,341
Other Financing Sources (Uses):				
Transfers In	0	0	145,994	145,994
Transfers (Out)	(145,994)	0	0	(145,994)
Total Other Financing Sources (Uses)	(145,994)	0	145,994	0
Net Change in Fund Balance	1,083,629	(79,420)	863,132	1,867,341
Fund Balance Beginning of Year	3,086,975	0	(121,217)	2,965,758
Fund Balance End of Year	\$4,170,604	(\$79,420)	\$741,915	\$4,833,099

See accompanying notes to the basic financial statements.

Mount Healthy 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, 2007

Net Change in Fund Balance - Total Governmental Funds \$1,867,341

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

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

Capital assets used in governmental activities	674,951	
Depreciation Expense	<u>(571,437)</u>	
		103,514

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

Delinquent Property Taxes	(67,414)	
Intergovernmental	<u>272,336</u>	
		204,922

Repayment of principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 146,806

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 448

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

Compensated Absences	<u>(360,396)</u>	
		<u>(360,396)</u>

Change in Net Assets of Governmental Activities \$1,962,635

See accompanying notes to the basic financial statements.

Mount Healthy School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$0	\$57,678
Total Assets	0	\$57,678
Liabilities:		
Accounts Payable	0	956
Other Liabilities	0	56,722
Total Liabilities	0	\$57,678
Net Assets:		
Held in Trust	0	
Total Net Assets	\$0	

See accompanying notes to the basic financial statements.

Mount Healthy School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	<u>Private Purpose Trust</u>
Additions:	
Donations	<u>\$200</u>
Total Additions	<u>200</u>
Deductions:	
Scholarships	<u>2,923</u>
Total Deductions	<u>2,923</u>
Change in Net Assets	(2,723)
Net Assets Beginning of Year	<u>2,723</u>
Net Assets End of Year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

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 165 support staff personnel and approximately 277 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 10th largest in Hamilton County in terms of enrollment. It currently operates 1 preschool center, 5 elementary schools, 2 middle schools (grades 7-8), and 1 high school (grades 9-12).

REPORTING ENTITY

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

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

The District is associated with three organizations, two of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association, the Great Oaks Institute of Technology Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Fiduciary funds (except Agency) are reported using the economic resources measurement focus.

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.

Building Fund- The building fund is used to account for financial resources used in the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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 has a student managed activity agency fund which accounts for assets and liabilities generated by student managed activities. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 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.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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

EQUITY IN POOLED CASH AND INVESTMENTS

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. 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, 2007.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue in the General fund during fiscal year 2007 amounted to \$227,560 and \$9,782 in Other Governmental Funds.

INVENTORY

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

CAPITAL ASSETS

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

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

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

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

COMPENSATED ABSENCES

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

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

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

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

NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At year end, there were no net assets restricted by enabling legislation.

INTERFUND ACTIVITY

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

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

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

FUND 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, inventory, property tax advances and 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.

ESTIMATES

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

RESTRICTED ASSETS

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2007, \$9,070,534 of the District's bank balance of \$9,270,534 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Repurchase Agreement	\$2,234,376	0.00
STAROhio	259,988	0.11
Federal Home Loan Bank	20,291,497	2.71
Federal Home Loan Mortgage	2,117,098	3.24
Federal Farm Credit Bank	3,018,926	2.54
Federal National Mortgage Association	2,811,424	2.77
Total Fair Value	<u>\$30,733,309</u>	
Portfolio Weighted Average Maturity		2.52

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Home Loan Mortgage, Federal Farm Credit Bank, and Federal National Mortgage Association were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. The District’s investments in STAR Ohio were rated AAAM by Standard & Poor’s. Repurchase agreements which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 1% of the District’s investments in STAR Ohio, 7% in Repurchase Agreements, 66% in Federal Home Loan Bank, 7% in Federal Home Loan Mortgage, 10% in Federal Farm Credit Bank and 9% in Federal National Mortgage Association.

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

5. PROPERTY TAXES

Real property taxes collected in 2007 were levied in April on the assessed values as of January 1, 2006, 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). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2007, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2007. 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, 2007 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, 2007, was \$4,411,000 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 2007 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 2007 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$269,886,230
Public Utility Personal	14,466,410
Tangible Personal Property	<u>13,589,690</u>
Total	<u>\$297,942,330</u>

6. RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, accounts (rent and student fees), intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$359,151	\$0	\$0	\$359,151
Construction in Progress	0	508,247	0	508,247
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	13,514,464	20,100	0	13,534,564
Equipment	6,380,040	146,604	0	6,526,644
Totals at Historical Cost	<u>20,253,655</u>	<u>674,951</u>	<u>0</u>	<u>20,928,606</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,338,683	296,926	0	10,635,609
Equipment	5,331,328	274,511	0	5,605,839
Total Accumulated Depreciation	<u>15,670,011</u>	<u>571,437</u>	<u>0</u>	<u>16,241,448</u>
Governmental Activities Capital Assets, Net	<u>\$4,583,644</u>	<u>\$103,514</u>	<u>\$0</u>	<u>\$4,687,158</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$257,978
Special	35,617
Support Services:	
Pupil	291
Instructional Staff	14,361
School Administration	69,878
Fiscal	415
Operations and Maintenance	149,288
Pupil Transportation	14,445
Central	4,424
Operation of Non-Instructional Services	21,020
Extracurricular Activities	3,720
Total Depreciation Expense	<u>\$571,437</u>

8. SHORT-TERM NOTES PAYABLE

Short-Term Notes Payable activity of the District for the current year end was as follows:

		Beginning Principal <u>Outstanding</u>	<u>Additions</u>	<u>Deletions</u>	Ending Principal <u>Outstanding</u>
School Improvement 2007	4.25%	<u>\$0</u>	<u>\$33,000,000</u>	<u>\$0</u>	<u>\$33,000,000</u>

The short-term bond anticipation notes are shown as liabilities of the fund which received the note proceeds. Accordingly, all note debt activity has been reported in the building fund.

The notes were issued to fund building construction in the District.

9. LONG-TERM LIABILITIES

	Interest Rate	Issue Date	Maturity Dates	Beginning Principal <u>Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	Ending Principal <u>Outstanding</u>	Due In One Year
Governmental Activities:								
Energy Conservation Loan	2.20%	8/3/2005	8/3/2009	\$354,651	\$0	\$58,560	\$296,091	\$61,065
Capital Leases Payable				455,176	0	88,246	366,930	92,255
Total Long-Term Debt				809,827	0	146,806	663,021	153,320
Compensated Absences				1,928,512	781,768	475,131	2,235,149	418,643
Total Governmental Activities				<u>\$2,738,339</u>	<u>\$781,768</u>	<u>\$621,937</u>	<u>\$2,898,170</u>	<u>\$571,963</u>

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

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2007 follows:

Fiscal Year <u>Ending June 30</u>	<u>Energy Conservation Loan</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$61,065	\$11,885	\$92,255	\$15,535
2009	63,674	9,276	96,444	11,346
2010	66,397	6,553	85,043	6,961
2011	69,235	3,714	72,649	3,572
2012	35,720	755	20,539	434
Total	<u>\$296,091</u>	<u>\$32,183</u>	<u>\$366,930</u>	<u>\$37,848</u>

10. CAPITAL LEASE

The District has entered into a capital lease for building improvements, a truck for food service and for buses.

The lease described above meets the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Future capital lease payments will be made from the Debt Service fund.

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

Fiscal Year Ending June 30	Long-Term Debt
2008	\$107,790
2009	107,790
2010	92,004
2011	76,221
2012	20,973
Total Minimum Lease Payments	404,778
Less: Amount Representing Interest	(37,848)
Present Value of Minimum Lease Payments	<u>\$366,930</u>

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

Building and Improvements	\$869,129
Equipment	159,826

11. 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, or by calling toll free (800) 878-5853, or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. 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, 2007, 2006, and 2005 were \$729,864, \$724,272, and \$742,764, respectively; 46% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005.

STATE TEACHERS RETIREMENT SYSTEM

The School 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 43215-3771 or by calling (614) 227-4090, or by visiting STRS Ohio web site at www.strsoh.org.

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.

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, 2007, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. 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, 2007, 2006, and 2005 were \$2,307,816, \$2,338,812, and \$2,239,536, respectively; 84% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005.

12. 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$164,844 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, School District paid \$178,295 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

13. 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, 2007.

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.

14. RISK MANAGEMENT

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

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

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

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

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, Robert Giuffrè who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

16. COMPLIANCE AND ACCOUNTABILITY

Compliance

Ohio Revised Code Section 5705.39 requires appropriations to be limited by estimated resources. Upon review of appropriations and estimated resources, it was noted that appropriations exceeded estimated resources at various points during the fiscal year for the following funds:

Food Service	\$8,143
Auxiliary Services	25,353
EMIS	7,800
DPIA	101,433
Schoolnet Professional Development	27,000
Ohio Reads	3,945
Career Education	386
Carl Perkins	143
Title III LEP	8,400
Title I	202,661
Title V	186

Ohio Revised Code Section 5705.41 (B) requires actual expenditures to be limited by appropriations plus prior year encumbrances. It was noted that expenditures exceeded appropriations at various points during the fiscal year for the following funds:

General Fund	\$50,002
Bond Retirement	27,366
Permanent Improvement	22,954
Building	183,142
Private Purpose Trust	200
Latchkey Enterprises	78,743
District Managed	13,608
Career Education	1,059
Data Communication	3,300
Career Education	30,625
Title VIB	2,668
Title II	105,306

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	\$65,822
Management Information Systems	6,865
Disadvantaged Pupil Impact Aid	423,140
Miscellaneous State Grants	19,275
Special Education	195,306
Vocational Education	532
Title V	2,728
Miscellaneous Federal Grants	98,436
Capital Projects:	
Building Fund	79,420

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

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>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserve</u>
Set-aside Reserve Balance as of June 30, 2006	\$385,486	\$0	\$168,887
Current Year Set-aside Requirement	543,386	543,386	0
Qualified Disbursements	<u>(375,275)</u>	<u>(1,127,356)</u>	<u>0</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$553,597</u>	<u>\$ 0</u>	<u>\$168,887</u>
Restricted Cash as of June 30, 2007	<u>\$553,597</u>		<u>\$168,887</u>

Expenditures for instructional materials activity during the year totaled \$375,275.

Expenditures for capital activity during the year totaled \$1,127,356, which exceeded the amount required for the set-aside.

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

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2007, consisted of the following interfund receivables and payables, transfers in and transfers out:

<u>Fund Type/Fund</u>	Interfund Loan		<u>Transfers In</u>	<u>Transfers Out</u>
	<u>Receivable</u>	<u>Payable</u>		
General Fund	\$295,170	\$0	\$0	\$145,994
Building Fund	0	0	0	0
Other Governmental Funds	<u>59,735</u>	<u>354,905</u>	<u>145,994</u>	<u>0</u>
Total All Funds	<u>\$354,905</u>	<u>\$354,905</u>	<u>\$145,994</u>	<u>\$145,994</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.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,083,496	\$12,085,415	\$12,573,203	\$487,788
Tuition and Fees	728,984	729,100	758,528	29,428
Investment Earnings	233,781	233,818	243,255	9,437
Intergovernmental	18,415,443	18,418,368	19,161,765	743,397
Extracurricular Activities	31,059	31,064	32,318	1,254
Other Revenues	292,746	292,792	304,610	11,818
Total Revenues	31,785,509	31,790,557	33,073,679	1,283,122
Expenditures:				
Current:				
Instruction:				
Regular	12,556,552	12,556,552	12,401,818	154,734
Special	3,698,520	3,698,520	3,652,943	45,577
Vocational	166,870	166,870	164,814	2,056
Other	2,683,121	2,683,121	2,650,057	33,064
Support Services:				
Pupil	1,329,504	1,329,504	1,313,121	16,383
Instructional Staff	1,684,891	1,684,891	1,664,128	20,763
General Administration	115,870	115,870	114,442	1,428
School Administration	2,288,080	2,288,080	2,259,884	28,196
Fiscal	779,329	779,329	769,725	9,604
Business	211,784	211,784	209,174	2,610
Operations and Maintenance	3,424,815	3,424,815	3,382,611	42,204
Pupil Transportation	2,282,583	2,282,583	2,254,455	28,128
Central	318,248	318,248	314,326	3,922
Operation of Non-Instructional Services	72,040	72,040	71,152	888
Extracurricular Activities	578,044	578,044	570,921	7,123
Capital Outlay	40,852	40,852	40,349	503
Total Expenditures	32,231,103	32,231,103	31,833,920	397,183
Excess of Revenues Over (Under) Expenditures	(445,594)	(440,546)	1,239,759	1,680,305
Other financing sources (uses):				
Advances In	17,090	17,093	17,783	690
Advances (Out)	(43,453)	(43,453)	(42,918)	535
Transfers (Out)	(147,816)	(147,816)	(145,994)	1,822
Total Other Financing Sources (Uses)	(174,179)	(174,176)	(171,129)	3,047
Net Change in Fund Balance	(619,773)	(614,722)	1,068,630	1,683,352
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,894,812	2,894,812	2,894,812	0
Fund Balance End of Year	\$2,275,039	\$2,280,090	\$3,963,442	\$1,683,352

See accompanying notes to the required supplementary information.

MT. HEALTHY CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2007

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 2007.

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.

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

GAAP Basis	\$1,083,629
Net Adjustment for Revenue Accruals	230,107
Net Adjustment for Expenditure Accruals	56,634
Encumbrances	<u>(301,740)</u>
Budget Basis	<u>\$1,068,630</u>

MT. HEALTHY CITY SCHOOL DISTRICT

SINGLE AUDIT REPORTS

June 30, 2007

MT. HEALTHY CITY SCHOOL DISTRICT

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2007**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$140,368	\$0	\$140,368
National School Breakfast Program	05-PU	10.553	287,079		287,079	
National School Lunch Program	LL-P4	10.555	743,352		743,352	
Child/Adult Food Program	CC-MO	10.558	532		532	
Summer Food Service Program	SFS-07	10.559	11,615		11,615	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>1,042,578</u>	<u>140,368</u>	<u>1,042,578</u>	<u>140,368</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	1,198,274		1,394,383	
Preschool Grant	PG-S1	84.173	30,983		25,136	
Total U.S. Special Education Cluster			<u>1,229,257</u>	<u>0</u>	<u>1,419,519</u>	<u>0</u>
Title I Grant	C1-S1	84.010	828,845		720,352	
Federal Perkins Loan Program	PL-S1	84.038	2,475		2,868	
Drug Free Schools Grant	DR-S1	84.186	23,536		27,430	
Title V	C2-S1	84.298	7,834		7,859	
Tech Literacy	TJ-SL	84.318	71,469		211,601	
Comprehensive School Reform Demonstration Grant (Title I, Part F and Title V, Part D)	RF-CC	84.332	225,374		205,491	
Title III English Language Acquisition	EL-S1	84.365	2,568		1,835	
Improving Teacher Quality	TR-S1	84.367	210,266		226,772	
Total Department of Education			<u>2,601,624</u>	<u>0</u>	<u>2,823,727</u>	<u>0</u>
Total Federal Assistance			<u>\$3,644,202</u>	<u>\$140,368</u>	<u>\$3,866,305</u>	<u>\$140,368</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.



January 31, 2008

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

To the Board of Education
Mt Healthy City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt Healthy City School District (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2007-1 and 2007-2.

We noted certain matters that we reported to management of the District in a separate letter dated January 31, 2008.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants



January 31, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Mt. Healthy City School District

Compliance

We have audited the 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 each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 each of its major federal programs for the year ended June 30, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants

MT. HEALTHY CITY SCHOOL DISTRICT
June 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number 2007-01

Non Compliance Citation

Ohio Revised Code Section 5705.39 requires appropriations to be limited by estimated resources. Upon review of appropriations and estimated resources, it was noted that appropriations exceeded estimated resources at various points during the fiscal year for the following funds:

Food Service	\$8,143
Auxiliary Services	25,353
EMIS	7,800
DPIA	101,433
Schoolnet Professional Development	27,000
Ohio Reads	3,945
Career Education	386
Carl Perkins	143
Title III LEP	8,400
Title I	202,661
Title V	186

Recommendation

We recommend that the District comply with the Ohio Revised Code by limiting appropriations by estimated resources.

Management's Comments/Response

The District will limit appropriations by estimated resources.

Finding Number 2007-02

Non Compliance Citation

Ohio Revised Code Section 5705.41 (B) requires actual expenditures to be limited by appropriations plus prior year encumbrances. It was noted that expenditures exceeded appropriations at various points during the fiscal year for the following funds:

General Fund	\$50,002
Bond Retirement	27,366
Permanent Improvement	22,954
Building	183,142
Private Purpose Trust	200
Latchkey Enterprises	78,743
District Managed	13,608
Career Education	1,059
Data Communication	3,300
Career Education	30,625
Title VIB	2,668
Title II	105,306

Recommendation

We recommend that the District comply with the Ohio Revised Code by limiting actual expenditures by appropriations.

Management's Comments/Response

The District will limit actual expenditures by appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

MT. HEALTHY CITY SCHOOL DISTRICT
JUNE 30, 2007

SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS
OMB CIRCULAR A-133

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>If not fully corrected, Explain Status:</u>
2006-01	Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources.	No	Reissued as finding 2007-01.
2006-02	Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated.	No	Reissued as finding 2007-02



Mary Taylor, CPA
Auditor of State

MT. HEALTHY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2008**