

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
Financial Statements
Regular Audit
Year Ended December 31, 2007
Report of Independent Auditor's**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Mt. Healthy, Hamilton County, prepared by Cassady Schiller & Associates Inc., for the audit period January 1, 2007 through December 31, 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 City of Mt. Healthy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 14, 2010

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CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
FOR THE YEAR ENDED DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

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



We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, (City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mt. Healthy, Hamilton County, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above including the budgetary comparisons of the General Fund and Safety Tax Fund, present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, on our consideration of the City of Mt. Healthy, Hamilton County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in black ink, appearing to read 'CSA', is written over the date.

November 25, 2009

CERTIFIED PUBLIC ACCOUNTANTS

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**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the City of Mt. Healthy, Hamilton County, Ohio's financial performance provides an overview of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$246,430 from 2006.
- General revenues accounted for \$2,936,753 of all government revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,064,153 of total governmental revenues of \$4,000,906.
- The City had \$3,754,476 in expenses; \$1,064,153 of these expenses were offset by program specific revenues in the form of charges for services and sales, grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

One of the most important questions asked about the City is "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities		
	2007	2006	Change
ASSETS			
Current and Other Assets	\$2,297,938	\$2,344,859	(\$46,921)
Nondepreciable Capital Assets	180,910	259,213	(78,303)
Depreciable Capital Assets, Net	3,017,490	2,737,103	280,387
Total Assets	\$5,496,338	\$5,341,175	\$155,163

(continued)

Table 1
Net Assets
(continued)

	Governmental Activities		
	2007	2006	Change
LIABILITIES			
Current and Other Liabilities	\$1,071,113	\$1,087,517	(\$16,404)
Long-Term Liabilities:			
Due Within One Year	269,711	245,530	24,181
Due in More Than One Year	1,330,049	1,429,093	(99,044)
Total Liabilities	<u>2,670,873</u>	<u>2,762,140</u>	<u>(91,267)</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	1,908,478	1,589,347	319,131
Restricted	263,944	388,079	(124,135)
Unrestricted	653,043	601,609	51,434
Total Net Assets	<u>\$2,825,465</u>	<u>\$2,579,035</u>	<u>\$246,430</u>

Net Assets increased \$246,430, due mainly to an increase in Invested in Capital Assets, Net of Related Debt of \$319,131. This is due primarily to current year capital asset additions and principal payments made on debt related to capital asset construction exceeding current year depreciation.

Restricted Net Assets decreased by \$124,135 due to a decrease in capital projects grants received during the year.

Table 2 shows the changes in net assets for the year ended December 31, 2007 compared to 2006.

Table 2
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
REVENUES:			
Program Revenues			
Charges for Services and Sales	\$670,831	\$608,573	\$62,258
Operating Grants and Contributions	311,210	310,719	491
Capital Grants and Contributions	82,112	445,639	(363,527)
Total Program Revenues	<u>1,064,153</u>	<u>1,364,931</u>	<u>(300,778)</u>
General Revenues			
Property Taxes	903,762	909,546	(5,784)
Income Taxes	1,488,640	1,292,933	195,707
Other Local Taxes	74,504	61,893	12,611
Grants and Entitlements			
not Restricted for Specific Purposes	325,889	494,190	(168,301)
Gain on Sale of Capital Assets	4,200	0	4,200
Unrestricted Investment Earnings	26,033	2,814	23,219
Other	113,725	76,925	36,800
Total General Revenues	<u>2,936,753</u>	<u>2,838,301</u>	<u>98,452</u>
Total Revenues	<u>\$4,000,906</u>	<u>\$4,203,232</u>	<u>(\$202,326)</u>

(continued)

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2007	2006	Change
PROGRAM EXPENSES:			
General Government	\$606,883	\$585,146	\$21,737
Security of Persons and Property	1,865,490	1,799,928	65,562
Public Works	426,733	412,433	14,300
Leisure Time Activities	202,029	201,890	139
Community Environment	99,046	104,441	(5,395)
Transportation	479,983	525,020	(45,037)
Interest and Fiscal Charges	74,312	74,616	(304)
Total Expenses	<u>3,754,476</u>	<u>3,703,474</u>	<u>51,002</u>
Increase in Net Assets	246,430	499,758	(253,328)
Net Assets at Beginning of Year	<u>2,579,035</u>	<u>2,079,277</u>	<u>499,758</u>
Net Assets at End of Year	<u><u>\$2,825,465</u></u>	<u><u>\$2,579,035</u></u>	<u><u>\$246,430</u></u>

Governmental Activities

Capital Grants and Contributions decreased by \$363,527, due primarily to Ohio Public Works and Community Development Block Grants being received during 2006 but not in 2007.

Grants and Entitlements not Restricted for Specific Purposes decreased by \$168,301, due largely to a decrease in inheritance tax settlements received, along with a decrease in grant monies received for the operations of the fire department.

Income Taxes increased \$195,707, due mainly to a reduction in the credit allowed for income taxes paid to other municipalities.

Governmental program expenses have remained relatively consistent over the prior year.

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

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by grants and entitlements not restricted or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$606,883	(\$473,392)	\$585,146	(\$454,376)
Security of Persons and Property	1,865,490	(1,685,342)	1,799,928	(1,631,437)
Public Works	426,733	287,732	412,433	(133,592)
Leisure Time Activities	202,029	(178,863)	201,890	(133,799)
Community Environment	99,046	(86,163)	104,441	(86,250)
Transportation	479,983	(479,983)	525,020	175,527
Interest and Fiscal Charges	74,312	(74,312)	74,616	(74,616)
Total Expenses	<u>\$3,754,476</u>	<u>(\$2,690,323)</u>	<u>\$3,703,474</u>	<u>(\$2,338,543)</u>

THE CITY'S FUNDS

Information about the City's major governmental funds begins on page 10. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,951,369 and expenditures of \$4,131,138. The General Fund's balance increased by \$6,468 and the Safety Tax Fund's balance increased by \$6,207, neither of which is significant.

General Fund Budgeting Highlights

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

Original General Fund budgeted revenues were \$2,971,618. The final budgeted amount was \$3,031,349, which represents a two percent increase. Actual revenues were \$2,941,505 at year-end, which is a decrease of \$89,844 over final budgeted revenues.

Final budgeted intergovernmental revenues were \$479,408 and actual revenues were \$389,518 in the General Fund, resulting in a difference of \$89,890. This difference was the result of anticipated grant monies that were not received during the year.

Original General Fund appropriations were \$2,628,777. Final appropriations were \$2,671,124. The City's actual expenditures were \$2,621,069 at year-end, which is an increase of \$50,055 from final budgeted expenditures and is not significant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City had \$3,198,400 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$202,084, from the prior year. The increase in capital assets is largely due to increases in vehicles purchased and infrastructure relating to street improvement projects, along with the completion of a park improvement project.

See Note 10 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2007, the City had \$1,389,922 in general obligation debt outstanding. The City's long-term obligations also included compensated absences of \$160,749 and a police pension liability of \$49,089.

The City's overall 10.5 percent legal debt margin was \$8,591,377 as of December 31, 2007. The more restrictive unvoted legal debt margin was \$3,838,460 as of the same date.

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

CURRENT FINANCIAL CHALLENGES AND INITIATIVES

Since the income tax credit that was rolled back in 2006 for economic development, a comprehensive plan has been implemented and our property maintenance code has been revised. The City has laid a foundation for improvement and intends to systematically address initiatives in "Vision 2017," our 200th anniversary.

We are maintaining a close relationship with the Mt. Healthy City School District as they build new school buildings and plan the reuse of existing buildings. We are not immune from the housing market decline. We participate in the First Suburb Consortium of Southwest Ohio to take a proactive approach to housing issues.

Keeping up with road improvements is an ongoing challenge. We grind and overlay the worst areas while trying to set aside matching funds to take advantage of State funding for major street reconstruction projects. The park improvements are enjoyed by our community and we work collaboratively with the business association and other local non-profits to maintain our park facilities.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Mt. Healthy Community Improvement Corporation</u>
ASSETS		
Equity in Pooled Cash and Cash Equivalents	\$566,171	\$0
Cash and Cash Equivalents	0	56,584
Accrued Interest Receivable	1,621	0
Accounts Receivable	22,042	0
Income Taxes Receivable	455,074	0
Property Taxes Receivable	920,243	0
Other Local Taxes Receivable	14,354	0
Intergovernmental Receivable	318,433	0
Nondepreciable Capital Assets	180,910	0
Depreciable Capital Assets, Net	<u>3,017,490</u>	<u>0</u>
 Total Assets	 <u>5,496,338</u>	 <u>56,584</u>
LIABILITIES		
Accounts Payable	33,823	0
Accrued Wages and Benefits Payable	66,567	0
Intergovernmental Payable	114,286	0
Accrued Interest Payable	11,596	0
Deferred Revenue	844,841	0
Long-Term Liabilities:		
Due Within One Year	269,711	0
Due in More Than One Year	<u>1,330,049</u>	<u>0</u>
 Total Liabilities	 <u>2,670,873</u>	 <u>0</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,908,478	0
Restricted for:		
Capital Outlay	57,244	0
Transportation	204,753	0
Security of Persons and Property	1,947	0
Unrestricted	<u>653,043</u>	<u>56,584</u>
 Total Net Assets	 <u>\$2,825,465</u>	 <u>\$56,584</u>

See accompanying notes and independent auditor's report.

CITY OF MT. HEALTHY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Mt. Healthy Community Improvement Corporation
GOVERNMENTAL ACTIVITIES						
General Government	\$606,883	\$133,491	\$0	\$0	(\$473,392)	\$0
Security of Persons and Property	1,865,490	180,148	0	0	(1,685,342)	0
Public Works	426,733	323,293	309,060	82,112	287,732	0
Leisure Time Activities	202,029	23,166	0	0	(178,863)	0
Community Environment	99,046	10,733	2,150	0	(86,163)	0
Transportation	479,983	0	0	0	(479,983)	0
Interest and Fiscal Charges	74,312	0	0	0	(74,312)	0
Total Governmental Activities	<u>\$3,754,476</u>	<u>\$670,831</u>	<u>\$311,210</u>	<u>\$82,112</u>	<u>(2,690,323)</u>	<u>0</u>
COMPONENT UNIT						
Mt. Healthy Community Improvement Corporation	<u>\$2,342</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>	<u>(2,342)</u>
General Revenues:						
Taxes						
Property Taxes Levied For:						
					391,609	0
					112,549	0
					399,604	0
					1,488,640	0
					74,504	0
					325,889	0
					4,200	0
					26,033	200
					113,725	30
Total General Revenues					<u>2,936,753</u>	<u>230</u>
Change in Net Assets					246,430	(2,112)
Net Assets at Beginning of Year					<u>2,579,035</u>	<u>58,696</u>
Net Assets at End of Year					<u>\$2,825,465</u>	<u>\$56,584</u>

See accompanying notes and independent auditor's report.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	GENERAL	SAFETY TAX	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$352,990	\$85,457	\$119,258	\$557,705
Cash in Segregated Accounts	8,466	0	0	8,466
Intergovernmental Receivable	122,076	35,219	161,138	318,433
Income Taxes Receivable	455,074	0	0	455,074
Property Taxes Receivable	399,170	384,638	136,435	920,243
Other Local Taxes Receivable	14,354	0	0	14,354
Accounts Receivable	22,042	0	0	22,042
Accrued Interest Receivable	1,621	0	0	1,621
Total Assets	\$1,375,793	\$505,314	\$416,831	\$2,297,938
LIABILITIES				
Accounts Payable	\$18,248	\$2,450	\$13,125	\$33,823
Accrued Wages and Benefits Payable	46,618	14,127	5,822	66,567
Intergovernmental Payable	92,294	13,914	8,078	114,286
Deferred Revenue	802,239	419,857	245,801	1,467,897
Total Liabilities	959,399	450,348	272,826	1,682,573
FUND BALANCES				
Unreserved, Undesignated, Reported in:				
General Fund	416,394	0	0	416,394
Special Revenue Funds	0	54,966	30,284	85,250
Debt Service Fund	0	0	174	174
Capital Projects Funds	0	0	113,547	113,547
Total Fund Balances	416,394	54,966	144,005	615,365
Total Liabilities and Fund Balances	\$1,375,793	\$505,314	\$416,831	\$2,297,938

See accompanying notes and independent auditor's report.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Total Governmental Fund Balances \$615,365

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

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

Land	180,910	
Infrastructure	1,467,899	
Other Capital Assets	3,473,998	
Accumulated Depreciation	<u>(1,924,407)</u>	
Total Capital Assets		3,198,400

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

Delinquent Property Taxes	75,402	
Due From Other Governments	227,691	
Income Taxes	<u>319,963</u>	
		623,056

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

Bonds	(1,389,922)	
Police Pension	(49,089)	
Compensated absences	<u>(160,749)</u>	
Total Liabilities		(1,599,760)

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

Accrued Interest		<u>(11,596)</u>
------------------	--	-----------------

Net Assets of Governmental Activities \$2,825,465

See accompanying notes and independent auditor's report.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	GENERAL	SAFETY TAX	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$388,929	\$398,729	\$109,664	\$897,322
Income Taxes	1,375,407	0	0	1,375,407
Other Local Taxes	74,504	0	0	74,504
Charges for Services	518,016	0	0	518,016
Fines, Licenses and Permits	143,581	0	7,334	150,915
Intergovernmental	410,380	37,028	343,989	791,397
Interest	25,883	0	150	26,033
Rent	1,900	0	0	1,900
Donations	2,150	0	0	2,150
Other	50,962	5,442	57,321	113,725
Total Revenues	2,991,712	441,199	518,458	3,951,369
EXPENDITURES				
Current:				
General Government	589,040	0	0	589,040
Security of Persons and Property	1,261,749	470,417	14,077	1,746,243
Public Works	426,733	0	0	426,733
Leisure Time Activities	140,927	0	0	140,927
Community Environment	99,046	0	0	99,046
Transportation	0	0	359,377	359,377
Capital Outlay	79,337	11,860	406,571	497,768
Debt Service:				
Principal Retirement	930	11,866	185,181	197,977
Interest and Fiscal Charges	2,076	849	71,102	74,027
Total Expenditures	2,599,838	494,992	1,036,308	4,131,138
Excess of Revenues Over (Under) Expenditures	391,874	(53,793)	(517,850)	(179,769)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	60,000	325,406	385,406
General Obligation Bonds Issued	0	0	100,000	100,000
Proceeds from Sale of Capital Assets	0	0	4,200	4,200
Transfers Out	(385,406)	0	0	(385,406)
Total Other Financing Sources (Uses)	(385,406)	60,000	429,606	104,200
Net Change in Fund Balances	6,468	6,207	(88,244)	(75,569)
Fund Balances at Beginning of Year	409,926	48,759	232,249	690,934
Fund Balances at End of Year	<u>\$416,394</u>	<u>\$54,966</u>	<u>\$144,005</u>	<u>\$615,365</u>

See accompanying notes and independent auditor's report.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net Change in Fund Balances - Total Governmental Funds (\$75,569)

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

Capital outlays are reported as expenditures in governmental funds.

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

Capital Asset Additions	316,733	
Construction in Progress Additions	117,597	
Current Year Depreciation	(232,246)	202,084

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

Property Taxes	6,440	
Due from Other Governments	(74,336)	
Income Taxes	113,233	45,337

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

Proceeds of General Obligation Bonds (100,000)

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

Bond Principal Retirement	197,047	
Police Pension Principal Retirement	930	
Total Long-term Debt Repayment	197,977	197,977

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

Increase in Compensated Absences	(23,114)	
Increase in Accrued Interest	(285)	
Total Additional Expenditures		(23,399)

Change in Net Assets of Governmental Activities \$246,430

See accompanying notes and independent auditor's report.

CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Property Taxes	\$364,136	\$380,055	\$388,929	\$8,874
Income Taxes	1,389,650	1,413,000	1,364,639	(48,361)
Other Local Taxes	61,271	62,300	60,150	(2,150)
Charges for Services	493,669	501,964	517,891	15,927
Fines, Licenses and Permits	147,521	150,000	146,480	(3,520)
Intergovernmental	471,486	479,408	389,518	(89,890)
Interest	2,459	2,500	25,520	23,020
Rent	2,852	2,900	1,900	(1,000)
Donations	2,459	2,500	2,150	(350)
Other	36,115	36,722	44,328	7,606
Total Revenues	2,971,618	3,031,349	2,941,505	(89,844)
EXPENDITURES				
Current:				
General Government	601,971	611,111	585,743	25,368
Security of Persons and Property	1,211,159	1,244,748	1,247,925	(3,177)
Public Works	405,240	427,987	427,816	171
Leisure Time Activities	138,007	141,907	141,581	326
Community Environment	96,600	100,585	99,046	1,539
Capital Outlay	175,800	141,780	115,952	25,828
Debt Service:				
Principal Retirement	0	930	930	0
Interest and Fiscal Charges	0	2,076	2,076	0
Total Expenditures	2,628,777	2,671,124	2,621,069	50,055
Excess of Revenues Over (Under) Expenditures	342,841	360,225	320,436	(39,789)
OTHER FINANCING USES				
Transfers Out	(414,288)	(385,406)	(385,406)	0
Net Change in Fund Balance	(71,447)	(25,181)	(64,970)	(39,789)
Fund Balance at Beginning of Year	407,891	407,891	407,891	0
Prior Year Encumbrances Appropriated	5,069	5,069	5,069	0
Fund Balance (Deficit) at End of Year	\$341,513	\$387,779	\$347,990	(\$39,789)

See accompanying notes and independent auditor's report.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
SAFETY TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Property Taxes	\$372,191	\$388,812	\$398,729	\$9,917
Intergovernmental	105,325	95,164	37,028	(58,136)
Other	553	500	5,442	4,942
Total Revenues	478,069	484,476	441,199	(43,277)
EXPENDITURES				
Current:				
Security of Persons and Property	552,015	546,615	476,997	69,618
Capital Outlay	0	9,200	11,860	(2,660)
Debt Service:				
Principal Retirement	11,866	11,866	11,866	0
Interest and Fiscal Charges	879	879	849	30
Total Expenditures	564,760	568,560	501,572	66,988
Excess of Revenues Over (Under) Expenditures	(86,691)	(84,084)	(60,373)	23,711
OTHER FINANCING SOURCES				
Transfers In	66,406	60,000	60,000	0
Net Change in Fund Balance	(20,285)	(24,084)	(373)	23,711
Fund Balance at Beginning of Year	84,006	84,006	84,006	0
Prior Year Encumbrances Appropriated	999	999	999	0
Fund Balance at End of Year	\$64,720	\$60,921	\$84,632	\$23,711

See accompanying notes and independent auditor's report.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2007**

ASSETS

Equity in Pooled Cash and Cash Equivalents	\$9,418
Cash in Segregated Accounts	<u>2,245</u>

Total Assets	<u><u>\$11,663</u></u>
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LIABILITIES

Intergovernmental Payable	\$1,945
Undistributed Monies	<u>9,718</u>

Total Liabilities	<u><u>\$11,663</u></u>
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See accompanying notes and independent auditor's report.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Reporting Entity

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

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

The City participates in two organizations which are defined as jointly governed organizations. These organizations are the Center for Local Government and the Hamilton County Municipal League. These organizations are presented in Note 17 of the Basic Financial Statements.

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

Basis of Presentation

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Governmental Funds

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

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

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

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

Fiduciary Funds

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but were levied to finance 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Cash and Cash Equivalents

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are reported on the financial statements as cash equivalents. The City had no investments during the year or at December 31, 2007.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2007 amounted to \$25,883, which includes \$7,298 assigned from other City funds.

Internal Activities

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

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

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

Capital Assets

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Debt

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

CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

Net Assets

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

The government-wide Statement of Net Assets reports \$263,944 of restricted net assets, none of which is restricted by enabling legislation.

Estimates

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

Budgets and Budgetary Accounting

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$13,072 and \$16,031, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 4 – COMPLIANCE

The following accounts had an excess of expenditures plus encumbrances over appropriations for the year ended December 31, 2007:

<u>Fund Type/Name/Program/Object</u>	<u>Final Appropriations</u>	<u>Final Expenditures</u>	<u>Excess</u>
General Fund:			
Security of Persons and Property			
Other	\$173,897	\$186,181	(\$12,284)
Leisure Time Activities			
Other	29,736	32,416	(2,680)
Special Revenue Funds:			
Street Maintenance and Repair			
Transportation			
Personal Services	189,154	190,875	(1,721)
Other	124,171	128,868	(4,697)
State Highway Fund			
Transportation			
Personal Services	15,277	15,609	(332)
Law Enforcement Trust Fund			
Capital Outlay			
Other	1,323	12,000	(10,677)
Safety Tax Fund			
Capital Outlay			
Other	9,200	11,860	(2,660)
Capital Projects Fund:			
Capital Improvement Fund			
Transportation			
Other	6,458	6,539	(81)
Capital Outlay			
Other	130,000	132,124	(2,124)

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

NOTE 5 – BUDGET TO GAAP RECONCILIATION

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 5 – BUDGET TO GAAP RECONCILIATION (continued)

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

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

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

Net Change in Fund Balance		
	General	Safety Tax
GAAP Basis	\$6,468	\$6,207
Revenue Accruals	(51,484)	0
Expenditure Accruals	(16,231)	(5,755)
Encumbrances	(5,000)	(825)
Unrecorded Cash - 2006	9,743	0
Unrecorded Cash - 2007	(8,466)	0
Budget Basis	(\$64,970)	(\$373)

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

The carrying amount of the City's cash totaled \$622,755 and was deposited with financial institutions.

NOTE 7 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 7 – PROPERTY TAXES (continued)

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009.

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

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

The full tax rate for all City operations for the year ended December 31, 2007, was \$11.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Property		
Residential/Agricultural	\$61,547,990	64.75%
Commercial/Industrial/Public Utility	27,334,680	28.75%
Public Utility Personal	4,092,270	4.31%
General Business Personal	2,083,390	2.19%
Total Property Taxes	<u>\$95,058,330</u>	<u>100.00%</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 8 – INCOME TAX

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

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

In 2007, income tax proceeds were allocated to the General Fund.

NOTE 9 – RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accrued interest, accounts, intergovernmental receivables arising from grants, fines, fees and shared revenues. All receivables, except property taxes, are considered fully collectible and will be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Homestead and Rollback	\$84,684
Estate Tax	6,556
Undivided Local Government	13,098
Shared Income	53,711
State Gasoline Excise Tax	34,917
Permissive Motor Vehicle License Tax	51,679
Gasoline Cents Per Gallon	64,386
D.A.R.E. Grant	7,485
Recycling Reimbursement	1,917
Total	<u>\$318,433</u>

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2007, was as follows:

	<u>Balance At 12/31/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/2007</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$180,910	\$0	\$0	\$180,910
Construction in Progress	78,303	117,597	(195,900)	0
Total Capital Assets, Not Being Depreciated	<u>259,213</u>	<u>117,597</u>	<u>(195,900)</u>	<u>180,910</u>
Depreciable Capital Assets:				
Land/Site Improvements	240,484	195,900	0	436,384
Buildings and Building Improvements	1,180,042	19,850	0	1,199,892
Equipment and Vehicles	1,701,798	171,204	(35,280)	1,837,722
Infrastructure	1,342,220	125,679	0	1,467,899
Total Depreciable Capital Assets	<u>4,464,544</u>	<u>512,633</u>	<u>(35,280)</u>	<u>4,941,897</u>
Less Accumulated Depreciation:				
Land/Site Improvements	(98,909)	(23,876)	0	(122,785)
Buildings and Building Improvements	(259,272)	(26,400)	0	(285,672)
Equipment and Vehicles	(1,285,548)	(110,732)	35,280	(1,361,000)
Infrastructure	(83,712)	(71,238)	0	(154,950)
Total Accumulated Depreciation	<u>(1,727,441)</u>	<u>(232,246)*</u>	<u>35,280</u>	<u>(1,924,407)</u>
Depreciable Capital Assets, Net	<u>2,737,103</u>	<u>280,387</u>	<u>0</u>	<u>3,017,490</u>
Governmental Activities Capital Assets, Net	<u>\$2,996,316</u>	<u>\$397,984</u>	<u>(\$195,900)</u>	<u>\$3,198,400</u>

* Depreciation expense was charged to governmental programs as follows:

General Government	\$6,523
Security of Persons and Property	70,082
Leisure Time Activities	51,517
Transportation	104,124
Total Depreciation Expense	<u>\$232,246</u>

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6.0 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$50,328, \$58,699 and \$53,747 respectively; 74.34 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$101 made by the City and \$70 made by the plan members.

Ohio Police and Fire Pension Fund

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$89,807 and \$7,306 for the year ended December 31, 2007, \$68,420 and \$6,443 for the year ended December 31, 2006, and \$74,355 and \$6,692 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 77.83 percent has been contributed for police and 82.29 percent has been contributed for firefighters for 2007.

NOTE 12 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 12 – POST-EMPLOYMENT BENEFITS (continued)

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$38,467, \$25,521 and \$22,512 respectively; 76.43 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 12 – POST-EMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund

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

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

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

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

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 12 – POST-EMPLOYMENT BENEFITS (continued)

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$47,545 and \$2,859 for the year ended December 31, 2007, \$45,128 and \$3,073 for the year ended December 31, 2006, and \$49,042 and \$3,192 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 52.94 percent has been contributed for police and 39.13 percent has been contributed for firefighters for 2007.

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

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

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

Insurance Benefits

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

Deferred Compensation

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

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the City contracted with Hylant Group for insurance. The coverage and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$3,000,000/5,000,000	\$0
Employer's Liability (Ohio Stop Gap)	3,000,000	0
Employee Benefits Liability	1,000,000/3,000,000	0
Municipal Automobile Liability	3,000,000	Various
Property	2,934,814	1,000
Law Enforcement Liability	3,000,000/5,000,000	2,500
Public Officials' Liability	3,000,000/5,000,000	2,500
Crime	10,000/100,000	Various
Inland Marine:		
Special Property	75,000/175,250	500
Electronic Media	85,000/100,000	1,000
Boiler and Machinery Coverage	2,934,814	1,000/10,000

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

NOTE 15 – TRANSFERS FROM/TO OTHER FUNDS

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

	Transfers To		
	Safety Tax Fund	Nonmajor Governmental Funds	Total
Transfers From General Fund	<u>\$60,000</u>	<u>\$325,406</u>	<u>\$385,406</u>

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 15 – TRANSFERS FROM/TO OTHER FUNDS (continued)

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

NOTE 16 – LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2007 were as follows:

	Balance at December 31, 2006	Increase	Decrease	Balance at December 31, 2007	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
Various Purpose Refunding Bonds					
3.46% - 2003	\$198,469	\$0	\$97,547	\$100,922	\$100,922
Valley Auto Theater Property Bonds					
7.50% - 1990	60,000	0	15,000	45,000	15,000
Aquatic Facilities Bonds					
2.00% to 5.00% - 2002	1,120,000	0	40,000	1,080,000	55,000
Police Vehicles Refunding Bonds					
3.16% - 2003	28,500	0	28,500	0	0
Park Improvement Bonds					
3.89% - 2006	80,000	0	16,000	64,000	16,000
Various Purpose Bonds					
3.98% - 2007	0	100,000	0	100,000	20,000
Total - General Obligation Bonds	1,486,969	100,000	197,047	1,389,922	206,922
<u>Other Long-Term Obligations:</u>					
Compensated Absences	137,635	91,983	68,869	160,749	61,819
Police Pension Liability	50,019	0	930	49,089	970
Total - Other Long-Term Obligations	187,654	91,983	69,799	209,838	62,789
Total - General Long-Term Obligations	\$1,674,623	\$191,983	\$266,846	\$1,599,760	\$269,711

The Various Purpose Refunding Bonds were issued in 2003 in the amount of \$471,969 for a period of five years with final maturity on August 20, 2008. The bonds were issued at a 3.46 percent interest rate for the purpose of refunding the 1997 Various Purpose and the 1997 Building Improvement General Obligation Bonds as well as the 2001 Fire Equipment Loan. Interest is paid annually. The bond issue will be repaid from the Safety Tax Special Revenue Fund and General Fund monies transferred to the Debt Service Fund. The entire amount of the refunded bonds has been repaid, leaving no balance still outstanding on the original debt.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

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

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

On December 18, 2003, the City issued a four year Police Vehicles Refunding Bond for \$109,000. The bond issue was retired from General Fund monies transferred to the Debt Service Fund in 2007.

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

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

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

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

As of December 31, 2007, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,591,377, and the unvoted legal debt margin was \$3,838,460.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2007, are:

	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$206,922	\$69,955
2009	111,000	59,592
2010	111,000	54,497
2011	101,000	49,966
2012	85,000	45,785
2013-2017	385,000	172,700
2018-2021	390,000	55,000
Total	<u>\$1,389,922</u>	<u>\$507,495</u>

Principal and interest requirements to retire the City's police pension obligations at December 31, 2007, are:

	<u>Police Pension</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$970	\$2,076
2009	1,012	2,034
2010	1,056	1,991
2011	1,101	1,946
2012	1,148	1,898
2013-2017	6,524	8,708
2018-2022	8,051	7,181
2023-2027	9,935	5,297
2028-2032	12,259	2,972
2033-2035	7,033	450
Total	<u>\$49,089</u>	<u>\$34,553</u>

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Center for Local Government

The Center for Local Government (the Center) was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Center is governed by a five member board of trustees. Each of the trustees is the chief administrative officer of the entity that they represent. Trustees are volunteer members, ratified by the general members of the Center. The City does not have any financial interest in or responsibility for the Center. The amount the City contributed during 2007 was \$1,900. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio, 45236.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Hamilton County Municipal League

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

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

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

Payments to the HCML are made from the General Fund. The amount the City contributed during 2007 was \$1,182. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

NOTE 18 – CONTINGENT LIABILITIES

Litigation

The City is not party to any legal proceedings.

Federal and State Grants

For the period January 1, 2007 to December 31, 2007, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 19 – SUBSEQUENT EVENTS

In 2008 the City obtained \$500,000 in taxable bonds to acquire property for economic development. The City is collaborating with the Mt. Healthy City School District and Springfield Township to annex the new high school location and create a Joint Economic Development District for the new middle school site.

NOTE 20 – MT. HEALTHY COMMUNITY IMPROVEMENT CORPORATION

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

Basis of Accounting

The CIC prepares financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues to the CIC consisted primarily of investment earnings from a savings account. The CIC's expenditures for 2007 included professional fees for strategic planning and environmental studies. The CIC had no investments as of December 31, 2007.

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



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

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Mt. Healthy, Hamilton County, Ohio's basic financial statements and have issued our report thereon dated November 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mt. Healthy, Hamilton County, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item numbered 2007-001.

CERTIFIED PUBLIC ACCOUNTANTS

4705 Lake Forest Drive
Cincinnati, Ohio 45242

513/483.6699 Fax: 513.483.6690
800/378.8606



We noted certain matters that we reported to management of City of Mt. Healthy, Hamilton County, Ohio, in a separate letter dated November 25, 2009.

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

A handwritten signature in black ink, consisting of the lowercase letters 'c', 's', and 't' written in a cursive, connected style.

November 25, 2009

CITY OF MT. HEALTHY

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

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

FINDING NUMBER 2007 - 001

Criteria:

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

Condition, Causes & Recommendation:

During 2007, expenditures exceeded the final appropriations.

Effect:

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

Management Response:

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



Mary Taylor, CPA
Auditor of State

CITY OF MT. HEALTHY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**