



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

City of Mt. Healthy
Hamilton County, Ohio

Regular Audit

For the Year Ended December 31, 2017
Fiscal Year Audited Under GAGAS: 2017

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Dave Yost • Auditor of State

Members of Council
City of Mount Healthy
7700 Perry Street
Mount Healthy, Ohio 45231

We have reviewed the *Independent Auditor's Report* of the City of Mount Healthy, Hamilton County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 Mount Healthy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 13, 2018

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City of Mt. Healthy
Basic Financial Statements
For the Fiscal Year Ended December 31, 2017
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Independent Auditor's Report

City of Mt. Healthy
Hamilton County
7700 Perry Street
Mount Healthy, Ohio 45231

To Member of City Council:

Report on the Financial Statements

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 (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above 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, 2017 and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, required budgetary comparison schedule, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
June 1, 2018

City of Mt. Healthy
Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Management's Discussion and Analysis (MD&A) of the City of Mt. Healthy's financial performance provides an overview of the City's financial activities for the year ended December 31, 2017. 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 position increased \$1,038,699 from 2016.
- General revenues accounted for \$3,101,272 of all governmental revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,091,071 of total governmental revenues of \$6,192,343.
- The City had \$5,153,644 in expenses; \$3,091,071 of these expenses were offset by program specific revenues in the form of charges for services and sales and 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's financial situation as a whole and also give a detailed view of the City's fiscal condition.

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

Reporting the City as a Whole

One of the most important questions asked about the City is, "How did we do financially during 2017?" The Statement of Net Position 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 position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial condition 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.

City of Mt. Healthy
Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Reporting the City's Most Significant Funds

Fund Financial Statements

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

City of Mt. Healthy
Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities		
	2017	2016	Change
Assets:			
Current and Other Assets	\$ 3,119,470	\$ 3,389,953	\$ (270,483)
Nondepreciable Capital Assets	593,419	593,419	0
Depreciable Capital Assets, Net	7,240,899	5,291,237	1,949,662
Total Assets	<u>10,953,788</u>	<u>9,274,609</u>	<u>1,679,179</u>
Deferred Outflows of Resources	<u>1,244,195</u>	<u>1,207,275</u>	<u>36,920</u>
Liabilities:			
Current and Other Liabilities	547,182	568,427	(21,245)
Long-Term Liabilities:			
Due Within One Year	140,242	141,895	(1,653)
Due in More Than One Year	5,668,785	4,997,981	670,804
Total Liabilities	<u>6,356,209</u>	<u>5,708,303</u>	<u>647,906</u>
Deferred Inflows of Resources	<u>723,983</u>	<u>694,489</u>	<u>29,494</u>
Net Position:			
Net Investment in Capital			
Assets	5,842,204	3,990,259	1,851,945
Restricted	1,254,520	1,393,324	(138,804)
Unrestricted	<u>(1,978,933)</u>	<u>(1,304,491)</u>	<u>(674,442)</u>
Total Net Position	<u>\$ 5,117,791</u>	<u>\$ 4,079,092</u>	<u>\$ 1,038,699</u>

The most significant changes from 2016 to 2017 on the statement of net position include:

- Depreciable capital assets increasing \$1,949,662 as the City completed several significant street infrastructure projects on Compton Road and Perry Street.
- Liabilities due in more than one year increasing \$670,804 as the City's share of the net pension liability increased for the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund.
- Net position increasing \$1,038,699, primarily due to capital assets being placed in service in 2017.

City of Mt. Healthy
Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Table 2 shows the changes in net position for the year ended December 31, 2017, compared to 2016.

Table 2 - Change in Net Position

	Governmental Activities		
	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$ 1,055,111	\$ 904,269	\$ 150,842
Operating Grants and Contributions	314,789	341,400	(26,611)
Capital Grants and Contributions	1,721,171	1,450,971	270,200
Total Program Revenues	<u>3,091,071</u>	<u>2,696,640</u>	<u>394,431</u>
General Revenues			
Property Taxes	715,799	696,000	19,799
Income Taxes	2,139,749	2,305,234	(165,485)
Payment in Lieu of Taxes	87	77	10
Grants and Entitlements not Restricted for Specific Purposes	138,177	148,888	(10,711)
Unrestricted Interest	1,520	1,241	279
Other	105,940	52,354	53,586
Total General Revenues	<u>3,101,272</u>	<u>3,203,794</u>	<u>(102,522)</u>
Total Revenues	<u>6,192,343</u>	<u>5,900,434</u>	<u>291,909</u>
Program Expenses			
General Government	928,060	860,622	67,438
Security of Persons and Property	2,666,689	2,475,067	191,622
Public Works	481,347	459,233	22,114
Leisure Time Activities	323,883	281,850	42,033
Community Environment	128,841	114,640	14,201
Transportation	556,814	517,895	38,919
Interest and Fiscal Charges	68,010	70,310	(2,300)
Total Expenses	<u>5,153,644</u>	<u>4,779,617</u>	<u>374,027</u>
Change in Net Position	1,038,699	1,120,817	(82,118)
Net Position at Beginning of Year	<u>4,079,092</u>	<u>2,958,275</u>	<u>1,120,817</u>
Net Position at End of Year	<u>\$ 5,117,791</u>	<u>\$ 4,079,092</u>	<u>\$ 1,038,699</u>

City of Mt. Healthy
Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Governmental Activities

Total program revenues increased \$394,431 during 2017 compared to 2016 as capital grants and contribution support for infrastructure projects was greater in 2017 than in 2016.

Effective January 1, 2015, the City's income tax rate increased from 1.5% to 2.0%. The 2.0 percent income tax is the largest source of revenue for the General Fund and the City of Mt. Healthy. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

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

General revenues for 2017 were down only slightly compared to 2016.

Total expenses increased in 2017 compared to 2016 by \$374,027 – which was primarily related to increased police protection services, roadway maintenance and repair and general government services.

The City's Funds

The City's major governmental funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,316,454 and expenditures of \$6,628,524. The General Fund's balance decreased \$38,275 which was the result of many minor income and expense variances for 2017 compared to 2016.

The Safety Tax Fund's balance increased \$20,098 in 2017, which is essentially flat compared to 2016.

The Capital Improvement Fund's balance decreased \$142,116 with infrastructure-related project expenditures exceeding project-related revenues and other financing sources in 2017.

The Economic Development Fund's balance was unchanged in 2017.

City of Mt. Healthy
Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

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 revenues were \$3,133,294 and Final General Fund budgeted revenues were \$3,182,636. Actual revenues were \$3,222,217 at year-end, which is a favorable variance of \$39,581 compared to final budgeted revenues.

Original General Fund appropriations were \$3,197,211 and final appropriations were \$3,330,910 for an increase of \$133,699. This increase was done to ensure that the City's budget was in line with rising expenditures throughout the year. The City's actual expenditures were \$3,255,730 at year-end, which is a favorable variance of \$75,180 from final budgeted expenditures due to the City closely monitoring the budget during the year.

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the City had \$7,834,318 of net capital assets of governmental activities, an increase of \$1,949,662 from the prior year. The increase in capital assets is primarily due to current year infrastructure additions related to street projects during 2017.

See Note 7 of the notes to the basic financial statements for more detailed information on capital assets.

Debt

At December 31, 2017, the City had \$1,320,000 in general obligation bonds, \$400,000 in notes and \$625,487 in loans outstanding. The City's long-term obligations also included compensated absences of \$113,700, capital leases of \$16,327, and police pension liability of \$37,280.

See Notes 14 and 15 of the notes to the basic financial statements for more detailed information related to debt.

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

City of Mt. Healthy
Hamilton County, Ohio
Statement of Net Position
December 31, 2017

	Primary Government Governmental Activities	Component Unit Mt. Healthy Community Improvement Corporation
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,411,294	\$ 30,795
Accounts Receivable	107,160	-
Income Taxes Receivable	647,000	-
Intergovernmental Receivable	215,928	-
Property Taxes Receivable	738,088	-
Nondepreciable Capital Assets	593,419	-
Depreciable Capital Assets, Net	7,240,899	-
 Total Assets	 10,953,788	 30,795
Deferred Outflows of Resources		
Deferred Charge on Refunding Pension	48,372	-
	1,195,823	-
 Total Deferred Outflows of Resources	 1,244,195	 -
Liabilities		
Accounts Payable	30,700	-
Accrued Wages and Benefits Payable	111,207	-
Accrued Interest Payable	5,275	-
Note Payable	400,000	-
Long-Term Liabilities:		
Due Within One Year	140,242	-
Due in More Than One Year	5,668,785	-
 Total Liabilities	 6,356,209	 -
Deferred Inflows of Resources		
Property Taxes Levied For Next Year Pension	673,000	-
	50,983	-
 Total Deferred Inflows of Resources	 723,983	 -
Net Position		
Net Investment in Capital Assets	5,842,204	-
Restricted for:		
Capital Outlay	669,926	-
Transportation	264,824	-
Security of Persons and Property	265,763	-
Leisure Time Activities	8,671	-
Other Purposes	45,336	-
Unrestricted	(1,978,933)	30,795
 Total Net Position	 \$ 5,117,791	 \$ 30,795

See accompanying notes to the basic financial statements

City of Mt. Healthy
Hamilton County, Ohio
Statement of Activities
For the Year Ended December 31, 2017

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Mt. Healthy Community Improvement Corporation
Governmental Activities						
General Government	\$ 928,060	\$ 281,672	\$ -	\$ -	\$ (646,388)	\$ -
Security of Persons and Property	2,666,689	259,942	-	-	(2,406,747)	-
Public Works	481,347	382,380	-	-	(98,967)	-
Leisure Time Activities	323,883	43,565	20,120	-	(260,198)	-
Community Environment	128,841	76,036	2,944	-	(49,861)	-
Transportation	556,814	11,516	291,725	1,721,171	1,467,598	-
Interest and Fiscal Charges	68,010	-	-	-	(68,010)	-
Total Governmental Activities	\$ 5,153,644	\$ 1,055,111	\$ 314,789	\$ 1,721,171	(2,062,573)	-
Component Unit						
Mt. Healthy Community Improvement Corporation	\$ -	\$ -	\$ -	\$ -	-	-
General Revenues:						
Taxes:						
Property Taxes Levied for:						
					296,721	-
					95,499	-
					323,579	-
					2,139,749	-
					87	-
					138,177	-
					1,520	9
					105,940	-
Total General Revenues					3,101,272	9
Change in Net Position					1,038,699	9
Net Position at Beginning of Year					4,079,092	30,786
Net Position at End of Year					\$ 5,117,791	\$ 30,795

See accompanying notes to the basic financial statements

City of Mt. Healthy
Hamilton County, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	Safety Tax	Capital Improvement	Economic Development	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 405,687	\$ 22,027	\$ 386,065	\$ 87,576	\$ 509,939	\$ 1,411,294
Accounts Receivable	102,003	-	-	-	5,157	107,160
Intergovernmental Receivable	42,812	18,500	11,000	-	143,616	215,928
Income Taxes Receivable	485,000	-	-	-	162,000	647,000
Property Taxes Receivable	305,977	333,443	98,668	-	-	738,088
Total Assets	\$1,341,479	\$ 373,970	\$ 495,733	\$ 87,576	\$ 820,712	\$ 3,119,470
Liabilities						
Accounts Payable	\$ 25,900	\$ 1,500	\$ -	\$ -	\$ 3,300	\$ 30,700
Accrued Wages and Benefits Payable	83,256	20,798	-	-	7,153	111,207
Note Payable	-	-	-	400,000	-	400,000
Total Liabilities	109,156	22,298	-	400,000	10,453	541,907
Deferred Inflows of Resources						
Property Taxes Levied for Next Year	279,000	304,000	90,000	-	-	673,000
Unavailable Property Taxes	26,977	29,443	8,668	-	-	65,088
Unavailable Income Taxes	427,000	-	-	-	142,000	569,000
Unavailable Intergovernmental Revenue	70,107	18,500	11,000	-	121,624	221,231
Total Deferred Inflows of Resources	803,084	351,943	109,668	-	263,624	1,528,319
Fund Balances						
Restricted						
Security of Persons and Property	-	-	-	-	84,235	84,235
Streets and Transportation	-	-	-	-	143,200	143,200
Capital Improvement	-	-	386,065	-	264,193	650,258
Other	-	-	-	-	55,007	55,007
Total Restricted	-	-	386,065	-	546,635	932,700
Assigned						
Next Year's Budget	83,914	-	-	-	-	83,914
Total Assigned	83,914	-	-	-	-	83,914
Unassigned						
	345,325	(271)	-	(312,424)	-	32,630
Total Fund Balances	429,239	(271)	386,065	(312,424)	546,635	1,049,244
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,341,479	\$ 373,970	\$ 495,733	\$ 87,576	\$ 820,712	\$ 3,119,470

See accompanying notes to the basic financial statements

City of Mt. Healthy
Hamilton County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balances \$ 1,049,244

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

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

Land	581,919	
Construction in Process	11,500	
Other Capital Assets	11,238,426	
Accumulated depreciation	<u>(3,997,527)</u>	
		7,834,318

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

Income Taxes	569,000	
Delinquent Property Taxes	65,088	
Intergovernmental and Other Revenues	<u>221,231</u>	
		855,319

In the statement of net position interest payable is accrued when incurred whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources. (5,275)

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

Premium on Bonds	(30,300)	
Deferred Charge on Bond Refunding	48,372	
Capital Lease Obligations	(16,327)	
Bonds	(1,320,000)	
Loans	(625,487)	
Police Pension	(37,280)	
Compensated Absences	<u>(113,700)</u>	
		(2,094,722)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	1,195,823	
Deferred Inflows - Pension	(50,983)	
Net Pension Liability	<u>(3,665,933)</u>	
		<u>(2,521,093)</u>

Net Position of Governmental Activities \$ 5,117,791

See accompanying notes to the basic financial statements

City of Mt. Healthy
Hamilton County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Safety Tax	Capital Improvement	Economic Development	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 299,322	\$ 326,449	\$ 96,315	\$ -	\$ -	\$ 722,086
Income Taxes	1,756,904	-	-	-	503,845	2,260,749
Payment in Lieu of Taxes	36	39	12	-	-	87
Charges for Services and Sales	766,170	3,746	-	-	11,516	781,432
Fees, Licenses and Permits	81,462	-	-	-	-	81,462
Fines and Forfeitures	150,597	-	-	-	9,361	159,958
Intergovernmental	96,858	34,297	1,512,538	-	290,867	1,934,560
Interest	1,520	-	-	-	-	1,520
Other	59,210	54,576	220,149	-	40,665	374,600
Total Revenues	3,212,079	419,107	1,829,014	-	856,254	6,316,454
Expenditures						
Current:						
General Government	747,322	-	-	-	12,333	759,655
Security of Persons and Property	1,186,710	662,329	-	-	493,239	2,342,278
Public Works	481,347	-	-	-	-	481,347
Leisure Time Activities	185,969	-	-	-	22,001	207,970
Community Environment	115,619	-	-	-	6,415	122,034
Transportation	-	-	2,195,393	-	310,721	2,506,114
Capital Outlay	39,744	-	-	-	-	39,744
Debt Service:						
Principal Retirement	9,978	11,680	10,827	-	70,188	102,673
Interest and Fiscal Charges	415	-	-	-	66,294	66,709
Total Expenditures	2,767,104	674,009	2,206,220	-	981,191	6,628,524
Excess of Revenues Over (Under) Expenditures	444,975	(254,902)	(377,206)	-	(124,937)	(312,070)
Other Financing Sources (Uses)						
Proceeds From Loans	-	-	170,090	-	-	170,090
Transfers In	-	275,000	65,000	-	143,250	483,250
Transfers Out	(483,250)	-	-	-	-	(483,250)
Total Other Financing Sources (Uses)	(483,250)	275,000	235,090	-	143,250	170,090
Net Change in Fund Balances	(38,275)	20,098	(142,116)	-	18,313	(141,980)
Fund Balances (Deficit) at Beginning of Year	467,514	(20,369)	528,181	(312,424)	528,322	1,191,224
Fund Balances at End of Year	<u>\$ 429,239</u>	<u>\$ (271)</u>	<u>\$ 386,065</u>	<u>\$ (312,424)</u>	<u>\$ 546,635</u>	<u>\$ 1,049,244</u>

See accompanying notes to the basic financial statements

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, 2017

Net Change in Fund Balances - Total Governmental Funds		\$ (141,980)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
	1,949,662	
<p>Because some revenues will not be collected for several months after the City's year-end, they are not considered "available" revenues and are reported as deferred inflows in the governmental funds.</p>		
Income Taxes	(121,000)	
Delinquent Property Taxes	(6,287)	
Intergovernmental and Other Revenues	<u>14,966</u>	(112,321)
<p>Governmental funds report premiums, discounts, and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Deferred Charge on Bond Refunding	(3,708)	
Amortization of Bond Premiums	<u>2,244</u>	(1,464)
<p>The issuance of long-term debt (bonds, loans, leases, etc.) provides current financial resources to governmental funds while repayment of long-term debt is an expenditure in the governmental funds.</p>		
Bond Principal Retirement	65,000	
Loan Proceeds	(170,090)	
Loan Principal Retirement	32,485	
Principal Payments on Capital Lease Obligation	5,188	
Payments on Police Pension Liability	<u>1,417</u>	(66,000)
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.</p>		
		270,201
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		(867,662)
<p>In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.</p>		
		163
<p>Compensated Absences 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.</p>		
		<u>8,100</u>
Change in Net Position of Governmental Activities		<u><u>\$ 1,038,699</u></u>

See accompanying notes to the basic financial statements

City of Mt. Healthy
Hamilton County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 29,465
Cash in Segregated Accounts	<u>23,937</u>

Total Assets	<u><u>\$ 53,402</u></u>
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Liabilities

Current Liabilities:

Due to Other Governments	\$ 19,751
Due to Other Individuals	15,102
Undistributed Monies	<u>18,549</u>

Total Liabilities	<u><u>\$ 53,402</u></u>
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See accompanying notes to the basic financial statements

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Mt. Healthy (the “City”) was incorporated in 1817 and adopted its Charter in 2012. The City is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under a Mayor-Council-Manager form of government.

Reporting Entity

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

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

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

The CIC was created as a not-for-profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC was established in January, 1990, for the purpose of acquiring and developing real property located in the City of Mt. Healthy 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 45231.

Information for the CIC is presented in Note 18.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

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 an organization defined as a jointly governed organization and one which is defined as a joint venture. These organizations are the Center for Local Government and the Joint Economic Development District and Zone. These organizations are presented in Note 16 of the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position 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 Position 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.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

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. 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.

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 deferred outflows and liabilities and deferred inflows 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 and report 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 and report monies received from property taxes levied restricted to support the City's fire department.

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

Economic Development Fund - The Economic Development Fund is used to account for and report monies received from debt issued to support economic and community development.

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

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. 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, the collection of seized and forfeited monies in criminal cases distributed to parties outside the City as determined by the court, and the collection and distribution of taxes related to a JEDD/JEDZ with Springfield Township.

Measurement Focus

Government-Wide Financial Statements

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

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, current liabilities and deferred outflows of resources are generally 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 primarily arise in the recognition of revenue and in the presentation of expenses versus expenditures.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

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 31 days of year-end.

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 4.) 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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as inflow of resources in the periods that the amounts become available or for the periods in which they are to be used.

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, 2017

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, 2017.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2017 amounted to \$1,520.

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 Position but are not reported in the fund financial statements.

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 \$5,000. 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.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

All capital assets, except 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
Furnitures, Fixtures, and Equipment	3-10 years
Infrastructure	10-60 years

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

Compensated Absences

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

Accrued Liabilities and Long-Term Debt

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

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. Bonds, loans, capital leases, and the police pension liability are recognized as liabilities on the governmental fund financial statements when due.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the 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 position is available.

Estimates

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

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

NOTE 3 – 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.

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 or deposit accounts, including passbook accounts.

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

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

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,226,946 of the City's bank balance of \$1,476,946 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money have been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NOTE 4 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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 later payment dates to be established.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Property		
Residential/Agricultural	\$ 41,025,560	57.13%
Commercial/Industrial/Public Utility	24,439,490	34.03%
Public Utility Personal	6,347,760	8.84%
Total Property Taxes	<u>\$ 71,812,810</u>	<u>100%</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, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2017, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2017 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 offset by deferred inflows of resources.

NOTE 5 – INCOME TAXES

The City levies a municipal income tax of 2 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 1.6 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 2017, income tax proceeds were allocated to the General Fund, Police Levy Fund and the Joint Economic Development District Special Revenue Fund.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2017, consisted of intergovernmental receivables, arising from grants and entitlements, fines, fees and shared revenues, taxes, and accounts. All receivables, except property and income taxes, are considered fully collectible and will be collected within one year. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017, was as follows:

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 581,919	\$ -	\$ -	\$ 581,919
Construction in Progress	11,500	-	-	11,500
Total Capital Assets, Not Being Depreciated	593,419	-	-	593,419
Depreciable Capital Assets:				
Land/Site Improvements	441,594	-	-	441,594
Buildings and Building Improvements	1,597,108	-	-	1,597,108
Equipment and Vehicles	2,012,130	128,031	(23,580)	2,116,581
Infrastructure	4,945,849	2,137,294	-	7,083,143
Total Depreciable Capital Assets	8,996,681	2,265,325	(23,580)	11,238,426
Less Accumulated Depreciation:				
Land/Site Improvements	(312,038)	(22,330)	-	(334,368)
Buildings and Building Improvements	(566,332)	(55,146)	-	(621,478)
Equipment and Vehicles	(1,666,337)	(61,648)	11,790	(1,716,195)
Infrastructure	(1,160,737)	(164,749)	-	(1,325,486)
Total Accumulated Depreciation	(3,705,444)	(303,873) *	11,790	(3,997,527)
Depreciable Capital Assets, Net	5,291,237	1,961,452	(11,790)	7,240,899
Governmental Activities Capital Assets, Net	\$ 5,884,656	\$ 1,961,452	\$ (11,790)	\$ 7,834,318

* Depreciation expense was charged to governmental programs as follows:

General Government	\$ 11,914
Security of Persons and Property	40,553
Leisure Time Activities	70,287
Transportation	181,119
Total Depreciation Expense	\$ 303,873

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NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net

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position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0%	17.1%	17.1%
Post-employment Health Care Benefits	1.0%	1.0%	1.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$109,994 for 2017. Of this amount, \$11,882 is reported as accrued wages and benefits payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City's full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2017 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$160,207 for 2017. Of this amount \$20,175 is reported as accrued wages and benefits payable.

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In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$37,280 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 1,455,709	\$ 2,210,224	\$ 3,665,933
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0064105%	0.0348951%	
Prior Measurement Date	<u>0.0062290%</u>	<u>0.0306775%</u>	
Change in Proportionate Share	<u>0.0001815%</u>	<u>0.0042176%</u>	
 Pension Expense	 \$ 309,050	 \$ 177,817	 \$ 486,867

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 216,789	\$ 54,225	\$ 271,014
Changes in employer proportion and differences between contributions and proportionate share of contributions	24,511	397,231	421,742
Differences between expected and actual experience	1,973	-	1,973
Change in Assumptions	230,893	-	230,893
Entity contributions subsequent to the measurement date	<u>109,994</u>	<u>160,207</u>	<u>270,201</u>
Total Deferred Outflows of Resources	<u>\$ 584,160</u>	<u>\$ 611,663</u>	<u>\$ 1,195,823</u>
	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 50,358	\$ 625	\$ 50,983
	<u>\$ 50,358</u>	<u>\$ 625</u>	<u>\$ 50,983</u>

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\$270,201 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2018	174,813	112,708	287,521
2019	181,041	112,708	293,749
2020	74,061	112,708	186,769
2021	(6,107)	112,707	106,600
Total	\$ 423,808	\$ 450,831	\$ 874,639

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments.

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other investments	18.00%	4.92%
Total	100.00%	5.66%

Discount Rate The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Entity's proportionate share of the net pension liability	\$ 2,223,931	\$ 1,455,709	\$ 815,544

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.00%
Domestic Equity	16.00%	5.21%
Non-US Equity	16.00%	5.40%
Core Fixed Income *	20.00%	2.37%
Global Inflation Protected *	20.00%	2.33%
High Yield	15.00%	4.48%
Real Estate	12.00%	5.65%
Private Markets	8.00%	7.99%
Real Assets	5.00%	6.87%
Master Limited Partnerships	8.00%	7.36%
 Total	 <u>120.00%</u>	

* levered 2X

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Entity's proportionate share of the net pension liability	\$ 2,943,752	\$ 2,210,224	\$ 1,588,543

NOTE 9 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2017 was 4.0%.

C. City Contributions

The City's actual contributions that were used to fund postemployment benefits were approximately \$7,436, \$14,832 and \$15,678 for 2017, 2016 and 2015, respectively. The full amount has been contributed for 2017, 2016 and 2015.

Ohio Police and Fire Pension Fund

A. Plan Description

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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. That report is also available on OP&F's website at www.op-f.org.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

B. Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). 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% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to healthcare was 0.5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

C. City Contributions

The City's actual contributions that were used to pay postemployment benefits were approximately \$3,855, \$3,827 and \$3,173 for 2017, 2016 and 2015, respectively. The full amount has been contributed for 2017, 2016 and 2015.

NOTE 10 – 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 10 or more years of service with the City, the State or another political subdivision, an employee shall be paid for one-fourth of his/her total sick leave accumulation.

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

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

Insurance Benefits

The City is self-insured for employee healthcare benefits for all its employees. The City provides life insurance benefits through an insurance carrier. For medical/surgical and life insurance benefits, the City pays 100 percent of the monthly premium for all full-time employees under the family plan and the single plan. The City also pays 70 percent of the monthly premium for spouses and dependents of full-time employees under the family plan for medical/surgical and life insurance benefits. The City provides employee dental insurance through an insurance carrier. The City pays 100 percent of dental insurance for all full-time employees and their families.

Deferred Compensation

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

NOTE 11 – RISK MANAGEMENT

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with an insurance carrier for building contents, vehicles, general liability, and public official liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

Employee Health Care Benefits

The City is self-insured for employee health care benefits for all of its employees. Under the plan, the Risk Management Agency provides coverage for up to a maximum of \$100,000 per person. The plan is offered to local governments Statewide through the Ohio Mid-Eastern Regional Education Service Agency (“OME-RESA”) in Steubenville, Ohio, and administered by United Healthcare of Ohio.

The City participates in the plan and makes payment to the Risk Management Agency based on actuarial estimates of the amount needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage, medical conversion, and administrative fees and services).

The City’s independent advisor has actuarially determined that no liability provision for incurred but not reported claims is appropriate as of December 31, 2017. This amount is non-discounted and is based upon historical claims experience. The nonexistence of a claims liability reported at December 31, 2017, is based on an estimate provided by USI Insurance (independent advisor) and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,” as amended by GASB Statement No. 30, “Risk Financing Omnibus,” which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

NOTE 12 – 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			Total
	Safety Tax	Capital	Nonmajor	
	Fund	Improvement	Governmental	
Transfers From	Fund	Fund	Funds	
General Fund	\$ 275,000	\$ 65,000	\$ 143,250	\$ 483,250

NOTE 13 – LEASES

In 2015, the City entered into a capitalized lease for a police service vehicle. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as functional expenditures on the budgetary statements. Principal payments on the capital lease totaled \$5,188 in 2017.

The assets acquired through capital leases (and not fully depreciated) as of December 31, 2017, are as follows:

Asset Value	Accumulated Depreciation	Net Book Value
\$ 27,345	\$ (8,545)	\$ 18,800

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2017:

Year Ending December 31:	Amount
2018	\$ 5,478
2019	5,784
2020	5,065
Present Value of Net Minimum Lease Payments	\$ 16,327

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

NOTE 14 – LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2017 were as follows:

	Balance at December 31, 2016	Increase	Decrease	Balance at December 31, 2017	Amounts Due Within One Year
<u>General Obligation Bonds:</u>					
2011 Various Purpose Real Property Acquisition and Refunding Bonds \$1,745,000					
Serial Bonds 2.00%	\$ 175,000	\$ -	\$ -	\$ 175,000	\$ -
Term Bonds 5.00%	1,210,000	-	65,000	1,145,000	65,000
Premium on Bonds Issued	32,544	-	2,244	30,300	-
Total - General Obligation Bonds	1,417,544	-	67,244	1,350,300	65,000
<u>Loans:</u>					
Perry Street Loan - 3.75%	15,843	-	9,978	5,865	5,865
OPWC Loan CB07Q - 0.00%	113,882	-	4,067	109,815	4,067
OPWC Loan CB44R- 0.00%	103,422	-	3,506	99,916	3,506
OPWC Loan CB47R - 0.00%	95,985	-	3,254	92,731	3,254
OPWC Loan CB20S - 0.00%	120,000	8,690	-	128,690	2,145
OPWC Loan CB32S - 0.00%	-	161,400	-	161,400	2,690
2010 Ohio Department of Commerce Loan - 0.00%	38,750	-	11,680	27,070	8,760
Total - Loans	487,882	170,090	32,485	625,487	30,287
<u>Other Long-Term Obligations:</u>					
Compensated Absences	121,800	32,900	41,000	113,700	38,000
Capital Leases Payable	21,515	-	5,188	16,327	5,478
Police Pension Liability	38,697	-	1,417	37,280	1,477
Net Pension Liability					
OPERS	1,078,936	376,773	-	1,455,709	-
OP&F	1,973,502	236,722	-	2,210,224	-
Total - Other Long-Term Obligations	3,234,450	646,395	47,605	3,833,240	44,955
Total - General Long-Term Obligations	\$5,139,876	\$ 816,485	\$ 147,334	\$5,809,027	\$ 140,242

City of Mt. Healthy
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Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

On June 9, 2011, the City issued the 2011 Various Purpose Real Property Acquisition and Refunding Bonds at \$1,745,000 to acquire property within the City and to refund the City's general obligation debt that was outstanding on June 9, 2011. The bonds will mature on December 1, 2031, and be retired from the Debt Service Fund. In 2014, the City defeased \$110,000 of the 2011 Various Purpose Real Property Acquisition and Refunding Bonds by creating a separate irrevocable trust fund containing U.S. government securities that will generate fixed earnings sufficient to service the defeased debt until such debt can be called or matures. For financial reporting purposes, the \$110,000 of debt has been considered defeased and, therefore, removed as a liability from the City's financial statements. As of December 31, 2017, defeased debt outstanding amounted to \$110,000.

On June 15, 2011, the City entered into an interest-free loan agreement with the Ohio Department of Commerce in the amount of \$116,800 for the purchase of property. The loan is due to mature on July 1, 2020. The loan will be repaid from the Safety Tax Fund.

During 2013, the City obtained a loan in the amount of \$47,250 to purchase property along Perry Street. Principal and interest payments of \$866 are due monthly thru July, 2018. The loan will be repaid from the General Fund.

During 2017, the City drew down proceeds on new loans through the Ohio Public Works Commission in the amount of \$170,090 to make roadway improvements and upgrades. Additionally, the City has other interest-free loans through the Ohio Public Works Commission. Principal payments are due semi-annually thru July, 2048. The loans will be repaid from the Capital Improvement Fund.

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

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

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

Principal and interest requirements to retire the City's outstanding bond and loan obligations at December 31, 2017, are:

	General Obligation Bonds		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 65,000	\$ 63,300	\$ 30,287	\$ 67	\$ 95,287	\$ 63,367
2019	70,000	61,350	32,176	-	102,176	61,350
2020	75,000	59,250	27,126	-	102,126	59,250
2021	80,000	55,500	20,496	-	100,496	55,500
2022	80,000	51,500	20,496	-	100,496	51,500
2023-2027	490,000	191,750	102,482	-	592,482	191,750
2028-2032	460,000	52,750	102,482	-	562,482	52,750
2033-2037	-	-	102,482	-	102,482	-
2038-2042	-	-	102,482	-	102,482	-
2043-2047	-	-	80,142	-	80,142	-
2048	-	-	4,836	-	4,836	-
Total	\$ 1,320,000	\$ 535,400	\$ 625,487	\$ 67	\$ 1,945,487	\$ 535,467

Principal and interest requirements to retire the City's police pension liability at December 31, 2017, are:

	Police Pension Liability	
	Principal	Interest
2018	\$ 1,477	\$ 1,569
2019	1,541	1,505
2020	1,607	1,439
2021	1,676	1,370
2022	1,748	1,298
2023-2027	9,935	5,297
2028-2032	12,289	2,942
2033-2035	7,007	449
Total	\$ 37,280	\$ 15,869

NOTE 15 – NOTE PAYABLE

During 2017, the City issued Series 2017 bond anticipation notes in the amount of \$400,000. The notes bear interest at 2.25% and matured on February 28, 2018. The notes were issued to allow for property acquisition within the City that is to be used to further economic and community development.

Subsequent to year end, on February 28, 2018 the City retired the Series 2017 bond anticipation notes by issuing Series 2018 bond anticipation notes in the amount of \$400,000 at 2.85%. The Series 2018 bond anticipation notes mature on February 28, 2019.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

NOTE 16 – JOINTLY GOVERNED ORGANIZATION / JOINT VENTURE

Center for Local Government

The Center for Local Government (the Center) was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Center is governed by a five member board of trustees. Each of the trustees is the chief administrative officer of the entity that they represent. Trustees are volunteer members, ratified by the general members of the Center. The City does not have any financial interest in or responsibility for the Center. 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.

Joint Economic Development District and Zone

The City participates in joint ventures with Springfield Township of Hamilton County – the joint economic development district (the JEDD) and the Joint Economic Development Zone (JEDZ).

The purpose of the JEDD is to facilitate economic development along the Hamilton Avenue Corridor and to create and preserve jobs and employment opportunities in the area of the contracting parties. The Board of Directors of the JEDD consists of five members, including one municipal member, one Township member, one business owner, one worker and one member selected by the other four members. The City Council selects the municipal member and the Township Board of Trustees selects the Township member. The Township Board of Trustees selects the business and the worker members. The Board of Directors of the JEDD levied an income tax for the JEDD territory at the rate of one and one-half percent and entered into a contract with the City to collect and administer the taxes. Seventy-five percent of the income taxes collected will be distributed to the Township and 25 percent will be distributed to the City. The Township shall use a portion of the income taxes it receives from the JEDD to expand public services to the JEDD area. The City will provide transportation network improvements to benefit the JEDD area.

Springfield Township residents voted in 2014 to establish a Joint Economic Development Zone (JEDZ). The creation of the JEDZ enables the implementation of an earnings tax on individuals working in the Zone and on the net profits of businesses located in the Zone. The designated Zone includes properties in Springfield Township where businesses are located and/or individuals work, excluding home-based businesses. The revenue generated through the JEDZ earnings tax will be used to continue current services and implement economic development initiatives for the improvement of existing commercial districts and the neighborhoods that support local businesses. State law requires a partnering jurisdiction to implement any earnings tax for townships. Springfield Township's partnering jurisdiction is the City of Mt. Healthy. All businesses and/or employers located within the JEDZ are responsible for withholding a one and one-half percent (1.5%) earnings tax on the wages of all employees working in the Zone. Eighty-five percent of the earnings taxes collected are distributed to the Township and fifteen percent are distributed to the City.

City of Mt. Healthy
Hamilton County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2017

NOTE 17 – CONTINGENT LIABILITIES

Litigation – The City is not party to any known claims or legal proceedings.

Federal and State Grants – For the period January 1, 2017, thru December 31, 2017, 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 to the financial statements as a whole.

NOTE 18 – 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 interest income and operating grants and contributions. Expenditures of the CIC were made for the purpose of furthering economic development within the City. The CIC had no investments as of December 31, 2017.

NOTE 19 – TAX ABATEMENTS

Government Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, requires that certain tax abatements be disclosed in the notes to the basic financial statements. The City does not have any such tax abatements that are required to be disclose in accordance with GASB Statement No. 77.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mt. Healthy
Hamilton County, Ohio
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property Taxes	\$ 299,300	\$ 290,000	\$ 299,322	\$ 9,322
Income Taxes	1,725,000	1,750,000	1,768,458	18,458
Payment in Lieu of Taxes	50	50	36	(14)
Charges for Services and Sales	775,000	755,000	755,699	699
Fees, Licenses and Permits	75,000	73,000	73,768	768
Fines and Forfeitures	125,000	140,000	143,070	3,070
Intergovernmental	100,000	97,000	97,227	227
Interest	1,000	1,000	1,520	520
Other	32,944	76,586	83,117	6,531
Total Revenues	<u>3,133,294</u>	<u>3,182,636</u>	<u>3,222,217</u>	<u>39,581</u>
Expenditures				
Current:				
General Government	700,000	765,000	747,290	17,710
Security of Persons and Property	1,150,000	1,200,000	1,175,861	24,139
Public Works	500,000	500,000	482,767	17,233
Leisure Time Activities	190,000	190,000	185,310	4,690
Community Environment	145,000	150,000	143,118	6,882
Capital Outlay	17,961	31,660	27,741	3,919
Debt Service:				
Principal Retirement	10,000	10,000	9,978	22
Interest and Fiscal Charges	1,000	1,000	415	585
Total Expenditures	<u>2,713,961</u>	<u>2,847,660</u>	<u>2,772,480</u>	<u>75,180</u>
Excess of Revenues Over Expenditures	<u>419,333</u>	<u>334,976</u>	<u>449,737</u>	<u>114,761</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(483,250)</u>	<u>(483,250)</u>	<u>(483,250)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(483,250)</u>	<u>(483,250)</u>	<u>(483,250)</u>	<u>-</u>
Net Change in Fund Balance	(63,917)	(148,274)	(33,513)	114,761
Fund Balance at Beginning of Year	<u>439,200</u>	<u>439,200</u>	<u>439,200</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 375,283</u>	<u>\$ 290,926</u>	<u>\$ 405,687</u>	<u>\$ 114,761</u>

See accompanying notes to the required supplementary information

City of Mt. Healthy
Hamilton County, Ohio
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Safety Tax Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property Taxes	\$ 316,380	\$ 316,400	\$ 326,449	\$ 10,049
Payment in Lieu of Taxes	-	-	39	39
Intergovernmental	32,120	32,120	34,297	2,177
Other	27,778	51,218	58,322	7,104
Total Revenues	<u>376,278</u>	<u>399,738</u>	<u>419,107</u>	<u>19,369</u>
Expenditures				
Current:				
Security of Persons and Property	639,713	663,173	660,515	2,658
Debt Service:				
Principal Retirement	11,680	11,680	11,680	-
Total Expenditures	<u>651,393</u>	<u>674,853</u>	<u>672,195</u>	<u>2,658</u>
Excess of Revenues Over (Under) Expenditures	(275,115)	(275,115)	(253,088)	22,027
Other Financing Sources				
Transfers In	275,000	275,000	275,000	-
Total Other Financing Sources	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>	<u>-</u>
Net Change in Fund Balance	(115)	(115)	21,912	22,027
Fund Balance at Beginning of Year	115	115	115	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,027</u>	<u>\$ 22,027</u>

See accompanying notes to the required supplementary information

City of Mt. Healthy
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Four Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Entity's Proportion of the Net Pension Liability	0.0064105%	0.0062290%	0.0060170%	0.0060170%
Entity's Proportionate Share of the Net Pension Liability	\$ 1,455,709	\$ 1,078,936	\$ 725,688	\$ 709,297
Entity's Covered-Employee Payroll	\$ 836,521	\$ 784,209	\$ 744,577	\$ 778,346
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.02%	137.58%	97.46%	91.13%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	77.25%	81.08%	86.45%	86.36%

* Information prior to 2013 is not available.

Amounts presented as of the Entity's measurement date which
is the prior fiscal year end.

City of Mt. Healthy
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Four Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Entity's Proportion of the Net Pension Liability	0.0348951%	0.0306775%	0.0246940%	0.0246940%
Entity's Proportionate Share of the Net Pension Liability	\$ 2,210,224	\$ 1,973,502	\$ 1,279,267	\$ 1,202,689
Entity's Covered-Employee Payroll	\$ 822,942	\$ 631,745	\$ 483,780	\$ 437,484
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	268.58%	312.39%	264.43%	274.91%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	68.36%	66.77%	72.20%	73.00%

* Information prior to 2013 is not available.

Amounts presented as of the Entity's measurement date which
is the prior fiscal year end.

City of Mt. Healthy
 Required Supplementary Information
 Schedule of City Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Five Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 109,994	\$ 102,280	\$ 109,789	\$ 104,278	\$ 108,968
Contributions in Relation to the Contractually Required Contribution	<u>(109,994)</u>	<u>(102,280)</u>	<u>(109,789)</u>	<u>(104,278)</u>	<u>(108,968)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Entity Covered-Employee Payroll	\$ 838,781	\$ 836,521	\$ 784,209	\$ 744,577	\$ 778,346
Contributions as a Percentage of Covered-Employee Payroll	13.11%	12.23%	14.00%	14.00%	14.00%

* Information prior to 2013 is not available.

City of Mt. Healthy
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 160,207	\$ 159,018	\$ 135,012	\$ 107,185	\$ 96,573
Contributions in Relation to the Contractually Required Contribution	<u>(160,207)</u>	<u>(159,018)</u>	<u>(135,012)</u>	<u>(107,185)</u>	<u>(96,573)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Entity Covered-Employee Payroll	\$ 823,404	\$ 822,942	\$ 631,745	\$ 483,780	\$ 437,484
Contributions as a Percentage of Covered-Employee Payroll	19.46%	19.32%	21.37%	22.16%	22.07%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 96,330	\$ 72,827	\$ 110,616	\$ 73,723	\$ 90,847
Contributions in Relation to the Contractually Required Contribution	<u>(96,330)</u>	<u>(72,827)</u>	<u>(110,616)</u>	<u>(73,723)</u>	<u>(90,847)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Entity Covered-Employee Payroll	\$ 437,503	\$ 565,606	\$ 664,831	\$ 642,510	\$ 651,147
Contributions as a Percentage of Covered-Employee Payroll	22.02%	12.88%	16.64%	11.47%	13.95%

City of Mt. Healthy
Hamilton County, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets

An annual appropriated budget is legally required to be prepared for all funds of the City, except for the agency funds. The Council passes appropriations at the object level (personal services and other expenditures) within each department and fund. The following are the procedures used by the City in establishing the budgetary data reported in the required supplementary information.

Tax Budget

A tax budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the tax budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate of estimated resources can be further amended during the year if the Council agrees that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2017.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation resolution may be supplemented during the year by action of the Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2017

Encumbrances

As part of formal budgetary control purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures of governmental funds.

Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the City's General Fund and the Safety Tax Fund.

	General	Safety Tax
GAAP Basis	\$ (38,275)	\$ 20,098
Adjustments		
Revenue Accruals	10,138	-
Expenditure Accruals	(5,376)	1,814
Budget Basis	\$ (33,513)	\$ 21,912



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

City of Mt. Healthy
Hamilton County
7700 Perry Street
Mount Healthy, Ohio 45231

To Members of City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented components unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 1, 2018.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our test disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
June 1, 2018



Dave Yost • 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
JULY 26, 2018**