



*CITY OF MT. HEALTHY, OHIO*

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**Hamilton County**

**Regular Audit**

**For the Year Ended December 31, 2003**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Mount Healthy, Hamilton County, prepared by J.L Uhrig & Associates, Inc. for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 22, 2006

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*CITY OF MT. HEALTHY, OHIO*  
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*For the Year Ended December 31, 2003*

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**Independent Auditor's Report**

Members of Council  
City of Mt. Healthy  
7700 Perry Street  
Mt. Healthy, OH 45231

We have audited the accompanying general purpose financial statements of the City of Mt. Healthy, Ohio (the City) as of and for the year ended December 31, 2003. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a blended component unit of the City. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mt. Healthy Community Improvement Corporation, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the Mt. Healthy Community Improvement Corporation were not audited by the other auditor in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Mt. Healthy, Ohio as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG & ASSOCIATES, INC.

November 17, 2005

**City of Mt. Healthy  
Hamilton County, Ohio  
Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$213,788	\$19,243	\$0	\$231,826
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	130,728	0	0
Receivables:				
Property and Other Local Taxes	341,288	151,382	0	105,540
Income Taxes	448,125	0	0	0
Accounts	23,226	0	0	0
Due from Other Governments	196,685	116,013	0	0
Due from Other Funds	10,006	0	0	0
Interfund Receivable	100,026	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$1,333,144</u>	<u>\$417,366</u>	<u>\$0</u>	<u>\$337,366</u>
<b><u>Liabilities, Fund Equity and Other Credits:</u></b>				
Liabilities:				
Accounts Payable	\$60,097	\$6,235	\$0	\$0
Contracts Payable	1,652	49	0	0
Accrued Salaries Payable	26,619	8,080	0	0
Due to Other Governments	17,599	506	0	0
Due to Other Funds	0	0	0	0
Deferred Revenue	838,567	245,393	0	105,540
Interfund Payable	0	35,108	64,918	0
Compensated Absences Payable	2,800	821	0	0
Undistributed Monies	0	0	0	0
Police Pension Liability Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>947,334</u>	<u>296,192</u>	<u>64,918</u>	<u>105,540</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balances (Deficits):				
Unreserved, Undesignated	<u>385,810</u>	<u>121,174</u>	<u>(64,918)</u>	<u>231,826</u>
Total Fund Equity (Deficit) and Other Credits	<u>385,810</u>	<u>121,174</u>	<u>(64,918)</u>	<u>231,826</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,333,144</u>	<u>\$417,366</u>	<u>\$0</u>	<u>\$337,366</u>

See Accompanying Notes to the General Purpose Financial Statements



Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$0	\$0	\$0	\$464,857
13,999	0	0	13,999
0	0	0	130,728
0	0	0	598,210
0	0	0	448,125
0	0	0	23,226
0	0	0	312,698
0	0	0	10,006
0	0	0	100,026
0	3,705,885	0	3,705,885
0	0	2,116,213	2,116,213
<u>\$13,999</u>	<u>\$3,705,885</u>	<u>\$2,116,213</u>	<u>\$7,923,973</u>

\$0	\$0	\$0	\$66,332
0	0	0	1,701
0	0	0	34,699
0	0	71,004	89,109
10,006	0	0	10,006
0	0	0	1,189,500
0	0	0	100,026
0	0	113,128	116,749
3,993	0	0	3,993
0	0	51,112	51,112
0	0	1,880,969	1,880,969
13,999	0	2,116,213	3,544,196
0	3,705,885	0	3,705,885
0	0	0	673,892
0	3,705,885	0	4,379,777
<u>\$13,999</u>	<u>\$3,705,885</u>	<u>\$2,116,213</u>	<u>\$7,923,973</u>

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2003**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b><u>Revenues:</u></b>					
Property and Other Local Taxes	\$480,560	\$246,731	\$0	\$112,649	\$839,940
Income Taxes	1,160,979	0	0	0	1,160,979
Intergovernmental	240,920	165,713	0	69,824	476,457
Charges for Services	476,546	0	0	0	476,546
Fines, Licenses and Permits	144,338	0	0	0	144,338
Rent	500	0	0	0	500
Interest	4,141	696	0	0	4,837
Donations	1,515	0	0	0	1,515
Miscellaneous	46,708	2,592	0	500	49,800
Total Revenues	<u>2,556,207</u>	<u>415,732</u>	<u>0</u>	<u>182,973</u>	<u>3,154,912</u>
<b><u>Expenditures:</u></b>					
Current:					
Security of Persons and Property	1,122,563	139,967	0	0	1,262,530
Transportation	0	285,331	0	0	285,331
Public Works	359,690	0	0	0	359,690
Leisure Time Activities	345,656	2,796	0	0	348,452
Community Environment	82,144	0	0	0	82,144
General Government	564,042	0	0	0	564,042
Capital Outlay	44,434	10,377	0	170,370	225,181
Debt Service:					
Principal Retirement	2,260	10,224	70,663	15,000	98,147
Interest and Fiscal Charges	786	0	86,196	8,438	95,420
Total Expenditures	<u>2,521,575</u>	<u>448,695</u>	<u>156,859</u>	<u>193,808</u>	<u>3,320,937</u>
Excess of Revenues Over (Under) Expenditures	<u>34,632</u>	<u>(32,963)</u>	<u>(156,859)</u>	<u>(10,835)</u>	<u>(166,025)</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds of Refunding Bonds	0	51,122	529,847	0	580,969
Current Refunding	0	(51,122)	(519,927)	0	(571,049)
Operating Transfers - In	0	85,884	85,423	33,584	204,891
Operating Transfers - Out	<u>(123,828)</u>	<u>(55,588)</u>	<u>(25,475)</u>	<u>0</u>	<u>(204,891)</u>
Total Other Financing Sources (Uses)	<u>(123,828)</u>	<u>30,296</u>	<u>69,868</u>	<u>33,584</u>	<u>9,920</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(89,196)	(2,667)	(86,991)	22,749	(156,105)
Fund Balances at Beginning of Year	<u>475,006</u>	<u>123,841</u>	<u>22,073</u>	<u>209,077</u>	<u>829,997</u>
Fund Balances (Deficit) at End of Year	<u>\$385,810</u>	<u>\$121,174</u>	<u>(\$64,918)</u>	<u>\$231,826</u>	<u>\$673,892</u>

See Accompanying Notes to the General Purpose Financial Statements

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Local Taxes	\$485,334	\$480,560	(\$4,774)	\$163,340	\$159,944	(\$3,396)
Income Taxes	1,150,000	1,176,724	26,724	0	0	0
Intergovernmental	202,959	202,459	(500)	247,564	249,764	2,200
Charges for Services	457,308	462,423	5,115	0	0	0
Fines, Licenses and Permits	137,018	141,452	4,434	0	0	0
Rent	500	500	0	0	0	0
Interest	3,818	4,141	323	0	0	0
Donations	1,515	1,515	0	0	0	0
Miscellaneous	42,417	46,708	4,291	2,759	2,582	(177)
<b>Total Revenues</b>	<b>2,480,869</b>	<b>2,516,482</b>	<b>35,613</b>	<b>413,663</b>	<b>412,290</b>	<b>(1,373)</b>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	1,189,497	1,158,765	30,732	140,917	138,612	2,305
Transportation	0	0	0	300,073	280,839	19,234
Public Works	365,237	352,866	12,371	0	0	0
Leisure Time Activities	346,577	344,314	2,263	0	0	0
Community Environment	80,434	75,728	4,706	0	0	0
General Government	577,872	561,440	16,432	0	0	0
Capital Outlay	50,691	44,434	6,257	10,400	10,377	23
Debt Service:						
Principal Retirement	2,260	2,260	0	10,224	10,224	0
Interest and Fiscal Charges	786	786	0	0	0	0
<b>Total Expenditures</b>	<b>2,613,354</b>	<b>2,540,593</b>	<b>72,761</b>	<b>461,614</b>	<b>440,052</b>	<b>21,562</b>
Excess of Revenues Over (Under) Expenditures	(132,485)	(24,111)	108,374	(47,951)	(27,762)	20,189
<b>Other Financing Sources (Uses):</b>						
Proceeds of Refunding Bonds	0	0	0	0	51,122	51,122
Current Refunding	0	0	0	0	(51,122)	(51,122)
Operating Transfers - In	0	0	0	85,884	85,884	0
Operating Transfers - Out	(123,828)	(123,828)	0	(55,588)	(55,588)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(123,828)</b>	<b>(123,828)</b>	<b>0</b>	<b>30,296</b>	<b>30,296</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(256,313)	(147,939)	108,374	(17,655)	2,534	20,189
Fund Balances (Deficit) at Beginning of Year	461,753	461,753	0	(18,399)	(18,399)	0
Fund Balances (Deficit) at End of Year	\$205,440	\$313,814	\$108,374	(\$36,054)	(\$15,865)	\$20,189

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$113,218	\$112,649	(\$569)
0	0	0	0	0	0
0	0	0	69,810	69,824	14
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	500	500	0
0	0	0	183,528	182,973	(555)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	211,070	170,370	40,700
70,663	70,663	0	15,000	15,000	0
76,282	86,196	(9,914)	8,438	8,438	0
146,945	156,859	(9,914)	234,508	193,808	40,700
(146,945)	(156,859)	(9,914)	(50,980)	(10,835)	40,145
0	529,847	529,847	0	0	0
0	(519,927)	(519,927)	0	0	0
85,423	85,423	0	33,584	33,584	0
(25,475)	(25,475)	0	0	0	0
59,948	69,868	9,920	33,584	33,584	0
(86,997)	(86,991)	6	(17,396)	22,749	40,145
22,073	22,073	0	209,077	209,077	0
(\$64,924)	(\$64,918)	\$6	\$191,681	\$231,826	\$40,145

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

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

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

**Reporting Entity**

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

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 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 City has one component unit included in its reporting entity.

The Mt. Healthy Community Improvement Corporation (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 is governed by a nine member Board of Trustees, six of which are elected or appointed officials of the City. Because this service entirely benefits the City, the CIC is considered a blended component unit of the City. This activity is presented as a special revenue fund of the City.

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

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

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Mt. Healthy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Basis of Presentation - Fund Accounting**

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to City functions and activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financing resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

**Governmental Fund Types**

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the City's governmental fund types:

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

**Special Revenue Funds** - The special revenue funds are used to account for the revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's only fiduciary fund is an agency fund. Agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve the measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the City. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group - This account group is used to account for all unmatured long-term obligations of the City.

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds.

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

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, interest, grants, state-levied locally shared taxes (including gasoline tax, motor vehicle tax and local government assistance), charges for services, rentals, and fines, licenses and permits.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables not collected within the available period have also been reported as deferred revenue.

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

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reported in the combined financial statements.

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The City does not present budgetary information for the Community Improvement Corporation, a blended component unit. Budgetary information for the Community Improvement Corporation is not reported because it is not included in the entity for which the "appropriated budget" is adopted.



**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the beginning of the year fund balance and 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 year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance.

On or about January 1 the certificate of estimated resources is amended to include unencumbered balances from the preceding year. Further amendments may be made during the year if the City Auditor determines that revenue to be collected will be greater than or less than the prior estimates, and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent the amounts from the amended certificate in force at the time final appropriations were passed by Council.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds, except agency funds, must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the budgetary statements represent the appropriated budgeted amounts and all supplemental appropriations passed during the year. Eight supplemental appropriation measures were legally enacted during 2003 by Council.

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made to personal services, contractual services, supplies and materials, capital outlay, debt service, operating transfers, and other operating charges within each function. The appropriations set by Council remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within Council's appropriated amount.

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and 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. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. The City had no encumbrances at December 31, 2003.

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. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

**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 combined balance sheet. The City's Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures which is presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts." The cash pertaining to the CIC is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

During 2003, the street construction, maintenance and repair special revenue fund and the loan consolidation debt service fund expended more than their share of pooled cash and cash equivalents. The funds had negative cash balances at year-end that were eliminated by short-term loans from the general fund. The loans are classified as "Interfund Receivables" and "Interfund Payables" on the combined financial statements.

For presentation on the combined balance sheet, 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 considered to be cash equivalents. The City had no investments at December 31, 2003.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the general fund during 2003 amounted to \$4,141, which includes \$1,387 assigned from other City funds.

**Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" and "Due to Other Funds" on the balance sheet.

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

All purchased fixed assets are valued at cost when historical cost records are available and estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The fixed assets threshold for the City is \$500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, and drainage systems are not capitalized, as these assets are immovable and of value only to the City.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity between funds are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account “Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
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**For the Year Ended December 31, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year-end are considered not to have been paid with current available financial resources. General obligation bonds, long-term notes and loans are recognized as a liability of the general long-term obligations account group until due.

**Estimates**

The preparation of the 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.

**Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**Compliance**

The capital investment program capital project fund had appropriations in excess of estimated resources and available balances for the year ended December 31, 2003, in the amount of \$43,325. In addition, the loan consolidation debt service fund had debt service expenditures in excess of appropriations in the amount of \$9,914. Also, the street construction, maintenance and repair fund had estimated resources in excess of actual receipts in the amount of \$25,385.

**Accountability**

The street construction, maintenance and repair special revenue fund and the loan consolidation debt service fund had fund balance deficits at December 31, 2003, in the amounts of \$35,108 and \$64,918, respectively. An interfund receivable/payable with the General Fund was established to cover the negative cash balance.

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
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**For the Year Ended December 31, 2003**

**NOTE 4 - BUDGET TO GAAP RECONCILIATION**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types 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 the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Revenues and expenditures were not presented for non-budgeted funds (budget basis), but were recorded on the operating statement (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$89,196)	(\$2,667)	(\$86,991)	\$22,749
Adjustments				
Revenue Accruals	(39,725)	(2,736)	0	0
Expenditure Accruals	(19,018)	5,847	0	0
Non-Budgeted Activity	0	2,090	0	0
Budget Basis	(\$147,939)	\$2,534	(\$86,991)	\$22,749

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

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 the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not exceed twenty-five percent of the interim moneys available for investment at any one time; and

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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; or
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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including repurchase agreements), and Reverse Repurchase Agreements."

**Deposits**

At year-end, the carrying amount of the City's deposits was \$609,584, and the bank balance was \$669,464. Of the bank balance, \$300,000 was covered by federal depository insurance, and \$369,464 was uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

**Investments**

The City did not have any investments at year-end.

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
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**For the Year Ended December 31, 2003**

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**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2003, was \$8.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	Assessed Value	Percentage
Real Estate	\$76,811,270	91.74%
Public Utility Property	5,204,870	6.22%
Tangible Personal	1,709,940	2.04%
Total Property Taxes	\$83,726,080	100.00%

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2003 operations. The receivable is offset by deferred revenue.



**City of Mt. Healthy**  
**Hamilton County, Ohio**  
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**For the Year Ended December 31, 2003**

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**NOTE 7 - INCOME TAX**

The City levies a municipal income tax of 1.5 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 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 2003, the income tax proceeds were allocated to the general fund. Income tax revenue for 2003 was \$1,160,979.

**NOTE 8 - FIXED ASSETS**

A summary of the changes in general fixed assets during the year ended December 31, 2003, were as follows:

<u>Asset Category</u>	<u>Balance at December 31, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 2003</u>
Land	\$283,150	\$10,000	\$0	\$293,150
Land Improvements	1,257,701	3,716	0	1,261,417
Buildings	255,600	5,600	0	261,200
Building Improvements	0	2,100	0	2,100
Equipment and Vehicles	1,690,923	204,532	104,166	1,791,289
Construction in Progress	0	96,729	0	96,729
Totals	<u>\$3,487,374</u>	<u>\$322,677</u>	<u>\$104,166</u>	<u>\$3,705,885</u>

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2003, consisted of property and other local taxes, income taxes, accounts, due from other funds, interfund, intergovernmental receivables arising from grants, fines, fees and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

<u>Fund Type/Fund</u>	<u>Amount</u>
<u>General Fund</u>	
Homestead and Rollback	\$17,633
Inheritance Tax	56,868
Income Tax	57,717
Local Government Revenue Assistance	8,509
Undivided Local Government	10,867
Ambulatory Services	835
Security Reimbursement	3,015
Waste Collection	38,020
Dare Grant	3,221
Total General Fund	<u>196,685</u>
<u>Special Revenue Funds:</u>	
<u>Street Construction, Maintenance, and Repair</u>	
Homestead and Rollback	6,001
Motor Vehicle Registration	20,899
Gasoline Cents Per Gallon	39,514
State Gasoline Excise Tax	34,869
Total Street Construction, Maintenance, and Repair Fund	<u>101,283</u>
<u>State Highway</u>	
Motor Vehicle Registration	1,699
Gasoline Cents Per Gallon	3,204
State Gasoline Excise Tax	2,820
Total State Highway Fund	<u>7,723</u>
<u>Safety Tax</u>	
Homestead and Rollback	7,007
Total Special Revenue Funds	<u>116,013</u>
Total All Funds	<u><u>\$312,698</u></u>

**City of Mt. Healthy  
Hamilton County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2003**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$56,280, \$53,079, and \$58,526 respectively; 97.73 percent has been contributed for 2003 and 100 percent for 2002 and 2001. The City and the plan members did not make any contributions to the member-directed plan in 2003.

**Ohio Police and Fire Pension Fund**

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

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$108,878, \$67,645, and \$59,921 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 85.14 percent has been contributed for 2003 with the remainder being reported as a liability.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$32,912. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

**City of Mt. Healthy  
Hamilton County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2003**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$49,543 for police and \$16,103 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

**NOTE 12 - 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 his estate) will be paid for unused vacation leave.

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

Unpaid compensated absences of \$3,621, at December 31, 2003, were reported as an accrued liability in the governmental fund types. The balance of the liability is reported in the general long-term obligations account group in the amount of \$113,128.

**City of Mt. Healthy  
Hamilton County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2003**

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**NOTE 12 - EMPLOYEE BENEFITS** (continued)

**Insurance Benefits**

The City has elected to provide employee medical/surgical and life insurance benefits through United Health Care for all employees. The City pays 100 percent of the monthly premium for all full-time employees under the family plan and the non-family plan. The City pays 75 percent of the monthly premium for relatives of full-time employees under the family plan. The City provides employee dental insurance through MetLife for full-time employees only. The City pays 100 percent of dental insurance for all full-time employees.

**Deferred Compensation**

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

**NOTE 13 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the City contracted with Hylant Group for insurance. The coverage and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$4,000,000/6,000,000	\$0
Municipal Automobile Liability	4,000,000	0
Property	2,796,128	1,000
Wrongful Acts	4,000,000/6,000,000	2,500
Law Enforcement Liability	4,000,000/6,000,000	2,500
Bond	25,000	0
Crime	10,000	0
Inland Marine	314,610	500
EDP Software/Hardware	53,603	1,000
Fire Vehicle	671,000	Various
Electronic Media	\$100,000	\$1,000

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

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

**NOTE 14 – INTERFUND ACTIVITY**

Individual interfund receivables and payables balances at December 31, 2003, were as follows:

Fund	Receivable (Due from Other Funds)	Payable (Due to Other Funds)
General	\$10,006	\$0
Agency Fund:		
Mayor's Court	0	10,006
Total	<u>\$10,006</u>	<u>\$10,006</u>

Fund	Interfund Receivable	Interfund Payable
General	\$100,026	\$0
Special Revenue Fund:		
Street Construction, Maintenance and Repair Fund	0	35,108
Debt Service Fund:		
Loan Consolidation	0	64,918
Total	<u>\$100,026</u>	<u>\$100,026</u>

**NOTE 15 – COOPERATIVE PURCHASE AGREEMENT**

On May 12, 2001, the City of Mt. Healthy entered into a cooperative purchase agreement with the City of North College Hill to purchase a 2000 Street Sweeper. The City of North College Hill obtained a loan from Fifth/Third Bank in the amount of \$121,905. There was a down payment required of \$30,000. The agreement states that the City of Mt. Healthy is to pay half of the down payment, half of all required loan payments, and half of any insurance and maintenance costs. Upon default by the City of Mt. Healthy, the street sweeper will belong solely to the City of North College Hill.

The fixed asset acquired by the cooperative purchase agreement has been capitalized in the general fixed assets account group in the amount of \$75,952, which is equal to half of the present value of the future minimum loan payments at the time of acquisition for the City, including the cost of the down payment made by the City. A liability was recorded in the general long-term obligations account group in the amount of \$38,509, which represents future principal payments. The liability is shown as due to other governments on the balance sheet. The City of Mt. Healthy paid \$14,641 to the City of North College Hill for the street sweeper. Of this \$14,641 payment, \$11,522 was principal and \$3,119 was interest. This payment is reported as a General Government expenditure by the City.

The following schedule represents the principal and interest payments to be made by the City of Mt. Healthy over the next three years:

Date	Principal	Interest	Payment
2004	\$12,533	\$774	\$13,307
2005	12,834	469	13,303
2006	13,142	158	13,300
Total	<u>\$38,509</u>	<u>\$1,401</u>	<u>\$39,910</u>

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

**NOTE 16 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations during 2003 were as follows:

	Balance at December 31, 2002	Increase	Decrease	Balance at December 31, 2003
<b><u>General Obligation Bonds:</u></b>				
Various Purpose				
5.20% - 1997	\$168,145	\$0	\$168,145	\$0
Building Improvement				
5.20% - 1997	288,445	0	288,445	0
Various Purpose Refunding				
3.46% - 2003	0	471,969	0	471,969
Valley Auto Theatre Property				
7.50% - 1990	120,000	0	15,000	105,000
Aquatic Facilities				
2.00% to 5.00% - 2002	1,220,000	0	25,000	1,195,000
Police Vehicles Refunding				
3.16% - 2003	0	109,000	0	109,000
<b>TOTAL - General Obligation Bonds</b>	<b><u>1,796,590</u></b>	<b><u>580,969</u></b>	<b><u>496,590</u></b>	<b><u>1,880,969</u></b>
<b><u>Other Long-Term Obligations:</u></b>				
Loans Payable 3.84%	61,346	0	61,346	0
Police Vehicles General Obligation				
Note 3.84% - 2002	109,000	0	109,000	0
Compensated Absences Payable	127,086	0	13,958	113,128
Police Pension Liability	53,372	0	2,260	51,112
Due to Other Governments	78,599	32,495	40,090	71,004
<b>TOTAL - Other Long-Term Obligations</b>	<b><u>429,403</u></b>	<b><u>32,495</u></b>	<b><u>226,654</u></b>	<b><u>235,244</u></b>
<b>TOTAL - General Long-Term Obligations</b>	<b><u>\$2,225,993</u></b>	<b><u>\$613,464</u></b>	<b><u>\$723,244</u></b>	<b><u>\$2,116,213</u></b>

The Various Purpose bonds were issued in 1997 in the amount of \$250,000 for a period of ten years with final maturity on March 3, 2007. The bonds were issued at a 5.2% interest rate for the purpose of acquiring and constructing various capital improvements and related appurtenances within the City. Interest is paid semi-annually. The City paid \$16,816 in principal during 2003, prior to the bond's consolidation into the Various Purpose General Obligation Refunding Bond. The amount refunded consisted of the remaining principal balance of \$151,329 plus outstanding interest of \$3,653.



**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 16 - LONG-TERM OBLIGATIONS** (continued)

The Building Improvement bonds (Municipal Building Bond) were issued in 1997 in the amount of \$418,000 for a period of ten years for the purpose of making improvements to the municipal building. The City paid \$28,847 in principal during 2003, prior to the bond's consolidation into the Various Purpose General Obligation Refunding Bond. The amount refunded consisted of the remaining principal balance of \$259,598 plus outstanding interest of \$6,266.

On January 22, 2001, the City entered into a 5 year loan agreement with Firststar Bank for fire equipment. The City paid \$10,224 in principal during 2003, prior to the loan's consolidation into the Various Purpose General Obligation Refunding Bond. The amount refunded consisted of the remaining principal balance of \$51,122.

The Various Purpose General Obligation Refunding Bonds were issued in 2003 in the amount of \$471,969 for a period of five years with final maturity on August 20, 2008. The bonds were issued at a 3.46% interest rate for the purpose refunding the 1997 Various Purpose and 1997 Building Improvement General Obligation Bonds as well as the Fire Equipment Loan Payable. Interest is paid annually. The bond issue will be repaid from general fund monies transferred to the loan consolidation debt service fund.

The City's total debt service payments increased by \$12,024, as a result of the Various Purpose current refunding. The City also incurred an economic gain of (difference between the present values of the old and new debt service payments) of \$1,801.

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

The Aquatic Facilities bonds were issued on April 30, 2002 in the amount of \$1,250,000 for a period of 20 years. The bonds were issued at an interest rate from 2.0% to 5.0% with final maturity on December 1, 2021. Interest is paid semi-annually. The bond issue was used to retire the Aquatic and Community Facility Bond Anticipation Notes. The bond issue will be repaid from general fund monies transferred to the loan consolidation debt service fund.

On November 25, 2002, the City issued a five year Police Vehicles General Obligation Note for \$109,000. The note had an interest rate of 3.84% and was due to mature December 1, 2007. The note was to be repaid from general fund monies transferred to the loan consolidation debt service fund. The note was refunded in 2003.

On December 18, 2003, the City issued a four year Police Vehicles General Obligation Refunding Bond for \$109,000. The note has an interest rate of 3.16% and is due to mature August 20, 2007. Interest is paid annually. The purpose of the note is to refund a note issued in the prior year. The note will be repaid from general monies transferred to the loan consolidation debt service fund.

The City's total debt service payments decreased by \$4,441, as a result of the Police Vehicles current refunding. The City also incurred an economic gain of (difference between the present values of the old and new debt service payments) of \$7,214.

**City of Mt. Healthy  
Hamilton County, Ohio  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2003**

**NOTE 16 - LONG-TERM OBLIGATIONS** (continued)

Compensated absences and a portion of due to other governments (which represents the contractually required pension contributions paid outside of the available period), will be paid from the funds from which the employees' salaries are paid. The remaining due to other governments (which represents a cooperative purchase agreement – (See Note 15) will be paid from the street construction, maintenance and repair special revenue 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 liability is payable semiannually from the General Fund.

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$6,852,888, and the unvoted legal debt margin was \$2,666,584.

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2003, are:

	Various Purpose	Valley Auto Theatre Property	Aquatic Facilities	Police Vehicles	Police Pension
2004	\$104,414	\$22,312	\$84,563	\$28,315	\$3,046
2005	104,414	21,188	83,950	29,423	3,046
2006	104,414	20,062	83,213	29,476	3,046
2007	104,414	18,938	97,288	29,401	3,046
2008	104,413	17,813	110,587	0	3,046
2009-2013	0	32,249	560,112	0	15,232
2014-2018	0	0	556,525	0	15,232
2019-2023	0	0	333,550	0	15,232
2024-2028	0	0	0	0	15,232
2029-2033	0	0	0	0	15,232
2034-3035	0	0	0	0	4,436
Total	<u>\$522,069</u>	<u>\$132,562</u>	<u>\$1,909,788</u>	<u>\$116,615</u>	<u>\$95,826</u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**Center for Local Government**

The Center for Local Government 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 City does not have any financial interest in or responsibility for the Center. The City's financial contribution during 2003 was immaterial. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio, 45236.

**City of Mt. Healthy**  
**Hamilton County, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2003**

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**The Hamilton County Municipal League (HCML)**

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

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

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

Payments to the HCML are made from the general fund. The amount the City paid during 2003 was immaterial. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

**NOTE 18 - CONTINGENT LIABILITIES**

**Litigation**

The City of Mt. Healthy is occasionally party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**Federal and State Grants**

For the period January 1, 2003, to December 31, 2003, 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.

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

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

We have audited the accompanying general purpose financial statements of the City of Mt. Healthy, Ohio (the City), as of and for the year ended December 31, 2003 and have issued our report thereon dated November 17, 2005. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a blended component unit of the City. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mt. Healthy Community Improvement Corporation, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompany schedule of findings as items 2003-01, 2003-02, 2003-03, and 2003-04. We also noted another instance of noncompliance that we have reported to the management of the City in a separate letter dated November 17, 2005.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated November 17, 2005.

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

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

November 17, 2005

**CITY OF MT. HEALTHY, OHIO**  
**Hamilton County**  
**Schedule of Findings**  
**For the Year Ended December 31, 2003**

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

***Finding Number 2003-01***

Section 5705.39 of the Ohio Revised Code, in summary, states that the total appropriations from each fund should not exceed the total estimated resources. The City's Capital Investment Program (CIP) Fund had appropriations that exceeded estimated revenues.

***Finding Number 2003-02***

Section 5705.41(B) of the Ohio Revised Code, in summary, states that the City shall not make any expenditure of money unless it has been appropriated. An appropriation is a budgetary control account that represents the total authorized expenditures for a current fiscal period. The City expended and encumbered monies that exceeded the appropriations adopted in the Loan Consolidation Fund.

***Finding Number 2003-03***

Section 5705.36 of the Ohio Revised Code, in summary, states that the estimated resources should be reduced when actual revenues are determined to be lower than expected. By having estimated resources more than actual receipts for the year, this could lead to the City appropriating more than is actually available to spend. The City had more estimated resources than actual receipts for the year, in the Street Construction, Maintenance and Repair Fund.

***Finding Number 2003-04***

Section 5705.09 of the Ohio Revised Code, in summary, states that each subdivision shall establish a general fund and other specific funds which are designed for specific purposes. Section 5705.10 of the Ohio Revised Code, in summary, further states that the money paid into any fund shall be used only for the purposes for which such fund is established.

The City's Street Construction, Maintenance and Repair and Loan Consolidation Funds carried negative fund balances either throughout the year or at year end. These negative fund balances indicate that the City overspent the available cash balance in these funds, and therefore, used money from other funds which were established for a different purpose.

**CITY OF MT. HEALTHY, OHIO**  
**Hamilton County**  
 Corrective Action Plan  
 For the Year Ended December 31, 2003

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<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Contact Person</b>
2003-001	The City intends to review a comparison of the estimated resources and appropriations on a more regular basis.	Immediately	Jill Claire, City Auditor
2003-002	The City will monitor debt service payments more closely, to ensure that appropriations adopted are adequate.	Immediately	Jill Claire, City Auditor
2003-003	The City intends to review estimated resources towards the end of the fiscal year and reduce estimates if actual receipts are lower than expected.	Immediately	Jill Claire, City Auditor
2003-004	The City plans to review cash fund balances on a more regular basis and have Council approve General Fund transfers/advances to address the issue prior to funds being overspent.	Immediately	Jill Claire, City Auditor

**CITY OF MT. HEALTHY, OHIO**  
**Hamilton County**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2003**

Description	Status	Comments
<i>Government Auditing Standards:</i>		
1. ORC 5705.39 - appropriations should not exceed the total estimated resources.	Not fully corrected	The Auditor will monitor this situation more closely.
2. ORC 5705.41(B) - money is not to be spent unless it has been appropriated.	Not fully corrected	The Auditor will monitor this situation more closely.
3. ORC 5705.36 - estimated resources should not exceed actual receipts.	Not fully corrected	The Auditor will monitor this situation more closely.
4. ORC 5705.41(D) - money is not to be spent without an approved purchase order.	Corrected	N/A
5. ORC 5705.09 - money paid into any fund shall be used only for the purpose for which the fund is established.	Not fully corrected	The Auditor will monitor this situation more closely.
6. City should establish a policy for maintaining fixed assets.	Corrected	N/A
7. City should use duplicate receipts for monies collected in each department.	Corrected	N/A





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**CITY OF MOUNT 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  
MARCH 07, 2006**