



***CITY OF MT. HEALTHY, OHIO***

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**Hamilton County**

**Regular Audit**

**For the Year Ended December 31, 2004**

**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, 2004 through December 31, 2004. 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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*For the Year Ended December 31, 2004*

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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 financial statements of the governmental activities, the discretely presented component, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a discretely presented 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Ohio as of December 31, 2004, and the respective changes in financial position, and the budgetary comparisons for the General Fund and Safety Tax Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Also as described in Note 3, during the year ended December 31, 2004, the City implemented GASB Statement Nos. 37, 38, 39 and 41, and GASB Interpretation No. 6, and GASB Technical Bulletin No. 2004-2.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2006 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 purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Members of Council  
City of Mt. Healthy, Ohio  
Independent Auditor's Report

The management's discussion and analysis on pages 2 through 8, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

J. L. UHRIG & ASSOCIATES, INC.

February 8, 2006



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**CITY OF MT. HEALTHY, OHIO**  
*Management's Discussion and Analysis*  
*For The Year Ended December 31, 2004*  
*(Unaudited)*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2004. 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 transmittal letter, and the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets increased \$599,166.
- General revenues accounted for \$2,317,107 or 63 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,365,498 or 37 percent of total governmental revenues of \$3,682,605.
- The City had \$3,083,439 in expenses; only \$1,365,498 of these expenses were offset by program specific 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 Assets* and *Statement of Activities* provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

**REPORTING THE CITY AS A WHOLE**

One of the most important questions asked about the City is "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### *Fund Financial Statements*

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

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

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

## **THE CITY AS A WHOLE**

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2004 compared to 2003.

**Table 1**  
**Net Assets**

	Governmental Activities	
	2004	2003
Assets:		
Current and Other Assets	\$2,149,871	\$1,865,298
Nondepreciable Capital Assets	118,290	215,019
Depreciable Capital Assets, Net	2,341,129	1,778,527
Total Assets	4,609,290	3,858,844
Liabilities:		
Current and Other Liabilities	1,009,334	736,522
Long-Term Liabilities:		
Due Within One Year	199,787	154,904
Due in More Than One Year	1,728,986	1,895,401
Total Liabilities	2,938,107	2,786,827
Net Assets:		
Invested in Capital Assets, Net of Related Debt	706,557	74,068
Restricted	314,510	381,813
Unrestricted	650,116	616,136
Total Net Assets	\$1,671,183	\$1,072,017

Net assets increased \$599,166. This was due primarily to the net addition of infrastructure in the amount of \$567,223 during the year, related to the completion of two major road improvement projects.

Table 2 shows the changes in net assets for the year ended December 31, 2004. Since this is the first year the City has prepared financial statements following *GASB Statement No. 34*, revenue and expense comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2**  
**Change in Net Assets**

	<i>Governmental</i>
	<i>Activities</i>
	<u>2004</u>
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$589,585
Operating Grants and Contributions	34,147
Capital Grants and Contributions	741,766
Total Program Revenues	<u>1,365,498</u>
General Revenues:	
Property and Other Local Taxes	690,583
Income Taxes	1,116,271
Grants and Entitlements not Restricted for Specific Purposes	481,785
Unrestricted Investment Earnings	977
Miscellaneous	27,491
Total General Revenues	<u>2,317,107</u>
Total Revenues	<u>3,682,605</u>
Program Expenses:	
General Government	583,486
Security of Persons and Property	1,402,905
Public Works	344,675
Leisure Time Activities	167,397
Community Environment	80,730
Transportation	416,876
Interest and Fiscal Charges	87,370
Total Expenses	<u>3,083,439</u>
Increase (Decrease) in Net Assets	599,166
Net Assets, January 1, 2004	<u>1,072,017</u>
Net Assets, December 31, 2004	<u>\$1,671,183</u>

***Governmental Activities***

The 1.5 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, capital improvements, debt service and other governmental functions when needed, as determined by Council.

Governmental program expenses for 2004 were as follows:

**Table 3**  
**Governmental Activities**

	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$583,486	(\$438,814)
Security of Persons and Property	1,402,905	(1,247,454)
Public Works	344,675	(75,782)
Leisure Time Activities	167,397	(146,137)
Community Environment	80,730	(47,274)
Public Works	416,876	324,890
Interest and Fiscal Charges	87,370	(87,370)
Total Expenses	<u>\$3,083,439</u>	<u>(\$1,717,941)</u>

When looking at the sources of income to support governmental activities, it should be noted that charges for services are only 16 percent of total revenues. Revenues provided by sources other than City residents in the form of operating and capital grants and contributions comprise another 21 percent. The remaining revenues are primarily generated locally through property and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed.

### **THE CITY'S FUNDS**

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,809,440 and expenditures of \$3,710,504. The General Fund's balance increased by \$190,106, primarily due to an increase in property and other local taxes and income tax revenue with a decrease in leisure time activities and capital outlay. The Safety Tax Fund's balance decreased by \$11,181, due to the payment of scheduled debt service installments.

#### ***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 on at the object level (personal services and other expenditures) within each department and fund by City Council in the form of an appropriation resolution.

Original General Fund budgeted revenues were \$2,507,371. The final budgeted amount was \$2,587,314. The small increase was primarily due to increases in revenues collected for waste removal and a large receipt of estate taxes received near the end of the year. The increase in appropriations from the original to the final budget was only \$7,000.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

**Table 4**  
**Capital Assets**

	Governmental Activities	
	2004	2003
Land	\$118,290	\$118,290
Construction in Progress	0	96,729
Land Improvements	148,420	157,064
Buildings and Building Improvements	970,269	992,236
Equipment and Vehicles	558,488	629,227
Infrastructure	663,952	0
Totals	<u>\$2,459,419</u>	<u>\$1,993,546</u>

The increase in capital assets was the result of the addition of \$663,952 in newly constructed infrastructure related to the completion of two major road improvement projects near the end of the year.

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

### Debt

At December 31, 2004, the City of Mt. Healthy had \$1,726,885 in debt outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	2004	2003
Various Purpose General Obligation Refunding Bonds	\$383,885	\$471,969
Valley Auto Theatre Property General Obligation Bonds	90,000	105,000
Aquatic Facilities General Obligation Bonds	1,170,000	1,195,000
Police Vehicles General Obligation Refunding Bonds	83,000	109,000
	<u>\$1,726,885</u>	<u>\$1,880,969</u>

The Various Purpose General Obligation Refunding Bonds, the Aquatic Facilities General Obligation Bonds and the Police Vehicles General Obligation Refunding will be paid through the Debt Service Fund with property tax revenues. The Valley Auto Theatre Property General Obligation Bonds will be paid from the Compton Road capital projects fund with property tax revenues.

The City's overall 10.5 percent legal debt margin was \$7,110,127 as of December 31, 2004. The more restrictive unvoted legal debt margin \$2,902,026 as of the same date. See Note 16 of the notes to the basic financial statements for more detailed information.

## **CURRENT FINANCIAL CHALLENGES AND INITIATIVES**

The Administration and City Council work extremely hard to live within our means. The City is one square mile with little area for new development. The economic development committee and the CIC have focused their efforts on redeveloping existing properties to improve our community.

The City strives to leverage funds with matching grants to maximize our dollars, especially on road and redevelopment projects. We implemented a capital procurement plan to reduce debt liability and have increased our carryover balance. City Administration combined the Tax and Waste services into one office to better serve residents. The Administration evaluates current systems for continuous improvement and to better utilize technology.

## **CONTACTING THE CITY'S FINANCE DEPARTMENT**

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



*Basic Financial Statements*

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**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

	Primary Government Governmental Activities	Component Unit Mt. Healthy Community Improvement Corporation
<b>ASSETS</b>		
Equity in Pooled Cash and Cash Equivalents	\$418,069	\$0
Cash and Cash Equivalents in Segregated Accounts	10,446	0
Accounts Receivable	12,440	0
Intergovernmental Receivable	495,138	0
Income Taxes Receivable	337,816	0
Property and Other Local Taxes Receivable	875,962	0
Cash and Cash Equivalents with Fiscal Agents	0	116,873
Nondepreciable Capital Assets	118,290	0
Depreciable Capital Assets, Net	2,341,129	0
<b>Total Assets</b>	<b>4,609,290</b>	<b>116,873</b>
<b>LIABILITIES</b>		
Accounts Payable	49,823	0
Accrued Wages and Benefits	50,102	0
Intergovernmental Payable	88,782	0
Accrued Interest Payable	14,567	0
Deferred Revenue	806,060	0
Long-Term Liabilities:		
Due Within One Year	199,787	0
Due in More Than One Year	1,728,986	0
<b>Total Liabilities</b>	<b>2,938,107</b>	<b>0</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	706,557	0
Restricted for:		
Capital Outlay	161,310	0
Other Purposes	153,200	0
Unrestricted	650,116	116,873
<b>Total Net Assets</b>	<b>\$1,671,183</b>	<b>\$116,873</b>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$583,486	\$144,672	\$0	\$0
Security of Persons and Property	1,402,905	131,619	23,832	0
Public Works	344,675	265,677	3,216	0
Leisure Time Activities	167,397	21,260	0	0
Community Environment	80,730	26,357	7,099	0
Transportation	416,876	0	0	741,766
Interest and Fiscal Charges	87,370	0	0	0
Total Governmental Activities	<u>\$3,083,439</u>	<u>\$589,585</u>	<u>\$34,147</u>	<u>\$741,766</u>
<b>Component Unit</b>				
<b>Mt. Healthy Community Improvement Corporation</b>	<u>\$14,324</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

General Revenues:

Taxes

Property and Other Local Taxes Levied For:

  General Purposes

  Capital Outlay

  Street Maintenance and Repair

  Security of Persons and Property

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets	
	Component Unit
Primary Government Governmental Activities	Mt. Healthy Community Improvement Corporation
(\$438,814)	\$0
(1,247,454)	0
(75,782)	0
(146,137)	0
(47,274)	0
324,890	0
(87,370)	0
<u>(1,717,941)</u>	<u>0</u>
<u>0</u>	<u>(14,324)</u>
388,847	0
100,238	0
79,610	0
121,888	0
1,116,271	0
481,785	0
977	460
27,491	9
<u>2,317,107</u>	<u>469</u>
599,166	(13,855)
<u>1,072,017</u>	<u>130,728</u>
<u>\$1,671,183</u>	<u>\$116,873</u>

**CITY OF MT HEALTHY, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

	<u>GENERAL</u>	<u>SAFETY TAX</u>	<u>CAPITAL IMPROVEMENT</u>
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$223,295	\$10,960	\$40,673
Cash and Cash Equivalents in Segregated Accounts	10,446	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Intergovernmental Receivable	371,487	7,100	0
Income Taxes Receivable	337,816	0	0
Property and Other Local Taxes Receivable	353,836	379,595	108,200
Accounts Receivable	<u>12,440</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$1,309,320</u>	<u>\$397,655</u>	<u>\$148,873</u>
<b>LIABILITIES</b>			
Accounts Payable	\$37,226	\$4,302	\$0
Accrued Wages and Benefits	37,733	5,792	0
Intergovernmental Payable	78,807	3,744	0
Deferred Revenue	<u>717,171</u>	<u>386,695</u>	<u>108,200</u>
Total Liabilities	<u>870,937</u>	<u>400,533</u>	<u>108,200</u>
<b>FUND BALANCES</b>			
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	438,383	0	0
Special Revenue Funds	0	(2,878)	0
Debt Service Fund	0	0	0
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>40,673</u>
Total Fund Balances (Deficit)	<u>438,383</u>	<u>(2,878)</u>	<u>40,673</u>
Total Liabilities and Fund Balances	<u>\$1,309,320</u>	<u>\$397,655</u>	<u>\$148,873</u>

See accompanying notes to the basic financial statements

ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$143,141	\$418,069
0	10,446
0	0
116,551	495,138
0	337,816
34,331	875,962
0	12,440
<u>\$294,023</u>	<u>\$2,149,871</u>
\$8,295	\$49,823
6,577	50,102
6,231	88,782
<u>127,696</u>	<u>1,339,762</u>
<u>148,799</u>	<u>1,528,469</u>
0	438,383
31,050	28,172
77	77
<u>114,097</u>	<u>154,770</u>
<u>145,224</u>	<u>621,402</u>
<u>\$294,023</u>	<u>\$2,149,871</u>

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**CITY OF MT. HEALTHY, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND**  
**BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2004**

Total Governmental Fund Balances \$621,402

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

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

Land	118,290	
Infrastructure	663,952	
Other capital assets	3,093,236	
Accumulated depreciation	(1,416,059)	
Total capital assets	2,459,419	2,459,419

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

Property Taxes and Other Local Taxes	35,571	
Due From Other Governments		
Estate Taxes	69,405	
Shared Taxes and Local Government Revenue Assistance	217,767	
Income Taxes	210,959	533,702

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

Accrued interest	(14,567)	
Bonds	(1,726,885)	
Police Pension	(51,766)	
Cooperative Purchase Agreement	(25,977)	
Compensated absences	(124,145)	
Total liabilities	(1,943,340)	(1,943,340)

Net Assets of Governmental Activities \$1,671,183

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>GENERAL</u>	<u>SAFETY TAX</u>	<u>CAPITAL IMPROVEMENT</u>
<b>REVENUES:</b>			
Property and Other Local Taxes	\$406,758	\$121,325	\$102,445
Income Taxes	1,271,696	0	0
Charges for Services	435,886	0	0
Fines, Licenses and Permits	170,549	0	0
Intergovernmental	421,278	18,838	533,596
Interest	977	0	0
Rent	400	0	0
Donations	7,099	0	0
Other	22,229	1,720	0
Total Revenues	<u>2,736,872</u>	<u>141,883</u>	<u>636,041</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General Government	584,248	0	0
Security of Persons and Property	1,210,675	140,350	0
Public Works	344,675	0	0
Leisure Time Activities	140,816	0	0
Community Environment	80,730	0	0
Transportation	0	0	98,086
Capital Outlay	0	0	567,223
<b>Debt Service:</b>			
Principal Retirement	820	10,697	0
Interest and Fiscal Charges	2,226	2,017	0
Total Expenditures	<u>2,364,190</u>	<u>153,064</u>	<u>665,309</u>
Excess of Revenues Over (Under)			
Expenditures	<u>372,682</u>	<u>(11,181)</u>	<u>(29,268)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	0	0	0
Transfers Out	<u>(182,576)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(182,576)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	190,106	(11,181)	(29,268)
Fund Balances at Beginning of Year - Restated (See Note 3)	<u>248,277</u>	<u>8,303</u>	<u>69,941</u>
Fund Balances (Deficit) at End of Year	<u>\$438,383</u>	<u>(\$2,878)</u>	<u>\$40,673</u>

See accompanying notes to the basic financial statements

ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$79,610	\$710,138
0	1,271,696
0	435,886
0	170,549
211,492	1,185,204
0	977
0	400
0	7,099
3,542	27,491
<u>294,644</u>	<u>3,809,440</u>
20	584,268
0	1,351,025
0	344,675
0	140,816
0	80,730
287,724	385,810
0	567,223
155,919	167,436
84,278	88,521
<u>527,941</u>	<u>3,710,504</u>
<u>(233,297)</u>	<u>98,936</u>
182,576	182,576
0	(182,576)
<u>182,576</u>	<u>0</u>
(50,721)	98,936
195,945	522,466
<u>\$145,224</u>	<u>\$621,402</u>

**CITY OF MT. HEALTHY, 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, 2004**

Net Change in Fund Balances - Total Governmental Funds \$98,936

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

Capital outlays are reported as expenditures in governmental funds.

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

Capital Asset Additions	567,223	
Current Year Depreciation	(101,350)	465,873

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

Property and Other Local Taxes	(19,555)	
Charges for Services	(17,250)	
Shared Taxes and Local Government Revenue Assistance	65,395	
Income Taxes	(155,425)	(126,835)

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

Bond principal retirement	154,084	
Police pension principal retirement	820	
Intergovernmental payable	12,532	167,436
Total long-term debt repayment		

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

Increase in Compensated Absences	(7,395)	
Decrease in Accrued Interest	1,151	(6,244)
Total additional expenditures		

Change in Net Assets of Governmental Activities \$599,166

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$471,974	\$471,974	\$406,758	(\$65,216)
Income Taxes	1,203,650	1,203,650	1,226,580	22,930
Charges for Services	457,337	481,180	453,641	(27,539)
Fines, Licenses and Permits	177,300	177,300	170,082	(7,218)
Intergovernmental	174,820	216,471	261,015	44,544
Interest	4,050	4,050	530	(3,520)
Rent	500	500	400	(100)
Donations	0	7,099	7,099	0
Other	17,440	25,090	22,229	(2,861)
Total Revenues	<u>2,507,071</u>	<u>2,587,314</u>	<u>2,548,334</u>	<u>(38,980)</u>
Expenditures:				
Current:				
General Government	607,162	614,162	578,911	35,251
Security of Persons and Property	1,186,661	1,186,661	1,181,595	5,066
Public Works	367,050	367,050	351,008	16,042
Leisure Time Activities	152,880	152,880	137,451	15,429
Community Environment	75,186	75,186	84,892	(9,706)
Capital Outlay	15,896	15,896	10,888	5,008
Debt Service:				
Principal Retirement	820	820	820	0
Interest and Fiscal Charges	2,226	2,226	2,226	0
Total Expenditures	<u>2,407,881</u>	<u>2,414,881</u>	<u>2,347,791</u>	<u>67,090</u>
Excess of Revenues Over Expenditures	99,190	172,433	200,543	28,110
Other Financing Uses:				
Transfers Out	<u>(182,576)</u>	<u>(182,576)</u>	<u>(182,576)</u>	<u>0</u>
Net Change in Fund Balance	(83,386)	(10,143)	17,967	28,110
Fund Balance at Beginning of Year	<u>204,881</u>	<u>204,881</u>	<u>204,881</u>	<u>0</u>
Fund Balance at End of Year	<u>\$121,495</u>	<u>\$194,738</u>	<u>\$222,848</u>	<u>\$28,110</u>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**SAFETY TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and Other Local Taxes	\$130,422	\$130,422	\$121,325	(\$9,097)
Intergovernmental	18,590	18,590	18,838	248
Other	0	0	1,720	1,720
Total Revenues	<u>149,012</u>	<u>149,012</u>	<u>141,883</u>	<u>(7,129)</u>
Expenditures:				
Current:				
Security of Persons and Property	130,839	131,839	130,483	1,356
Debt Service:				
Principal Retirement	10,697	10,697	10,697	0
Interest and Fiscal Charges	2,017	2,017	2,017	0
Total Expenditures	<u>143,553</u>	<u>144,553</u>	<u>143,197</u>	<u>1,356</u>
Excess of Revenues Over (Under) Expenditures	5,459	4,459	(1,314)	(5,773)
Fund Balance at Beginning of Year	<u>12,274</u>	<u>12,274</u>	<u>12,274</u>	<u>0</u>
Fund Balance at End of Year	<u>\$17,733</u>	<u>\$16,733</u>	<u>\$10,960</u>	<u>(\$5,773)</u>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**DECEMBER 31, 2004**

<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,387
Cash and Cash Equivalents in Segregated Accounts	<u>2,563</u>
Total Assets	<u><u>\$4,950</u></u>
<b>LIABILITIES:</b>	
Intergovernmental Payable	\$2,463
Undistributed Monies	100
Deposits Held and Due to Others	<u>2,387</u>
Total Liabilities	<u><u>\$4,950</u></u>

See accompanying notes to the basic financial statements

***CITY OF MT. HEALTHY, OHIO***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED DECEMBER 31, 2004***

**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.

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 18 of the Basic Financial Statements.

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



**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

The Mt. Healthy Community Improvement Corporation was created as a not for profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC was established in January, 1990, for the purpose of acquiring and developing real property located in the City of Mt. Healthy to increase the opportunities for employment and strengthen the economic development of the City. The CIC's original cash balances were established from the sale of property that was donated by the City, and the City occasionally provides funding for the purchase of properties to be restored and resold by the CIC. The CIC is governed by a nine member Board of Trustees, six of which are elected or appointed officials of the City. Based on the City's history of providing financial support to the CIC and the City's appointment of a voting majority of the CIC board, the CIC is presented as a component unit of the City. Separately issued financial statements can be obtained from the Mt. Healthy Community Improvement Corporation, 7400 McMakin, Mt. Healthy, Ohio 75231.

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

**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. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict or contradict with GASB pronouncements. The more significant of the City's accounting policies are described below.

**Basis of Presentation**

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds utilized by the City: governmental and fiduciary.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Governmental Funds**

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

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

Safety Tax Fund - The Safety Tax fund is used to account for monies received from property taxes levied to support the City fire department and corresponding fire department expenses.

Capital Improvement Fund – The capital improvement fund is used to account for monies received from property taxes levied to support street improvements and repairs.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The 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 two agency funds which are used to account for the collection and distribution of court fees and for distribution of payroll related taxes and withholdings.

**Measurement Focus**

**Government-Wide Financial Statements**

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Fund Financial Statements**

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

**Basis of Accounting**

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

**Revenues – Exchange and Non-Exchange Transactions**

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

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

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

**Deferred Revenues**

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

**Expenses/Expenditures**

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

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

**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. Cash and cash equivalents that are held separately for the Mayor's court and not held in the cash management pool are recorded on the financial statements 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."

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, 2004.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2004 amounted to \$977, which includes \$570 assigned from other City funds.

**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 rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

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 fiscal year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

<u>Descriptions</u>	<u>Estimated Life</u>
Land Improvements	10-25 years
Building and Building Improvements	20-50 years
Equipment and Vehicles	3-20 years
Infrastructure	10-60 years

The City's infrastructure consists of streets, curbs and gutters, sidewalks and street lighting. For 2004, the City reported infrastructure for the first time. The City has reported only the amounts acquired in 2004.

**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.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

The liability is an estimate based on the City's past experience of making termination payments.

**Accrued Liabilities and Long-Term Debt**

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

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

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for improving the living environment of the City, the City's street repair/improvement programs and the operation of the fire department programs.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are 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, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES** (continued)

**Budgets and Budgetary Accounting**

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

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

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES**

**Changes in Accounting Principles**

For 2004, the City has implemented *GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, *GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"*, *GASB Statement No. 38, "Certain Financial Statement Note Disclosures"*, *GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units"*, *GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences"*, *GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements"*, and *GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers."*



**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE** (continued)

*GASB Statement No. 34* creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type. The government-wide statements combine the governmental activities into one column.

*GASB Statement No. 37* clarifies certain provisions of *GASB Statement No. 34*, including the required content of the Management's Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

*GASB Statement No. 38* modifies, establishes, and rescinds certain financial statement note disclosures.

*GASB Statement No. 39* further defines the guidelines of *GASB Statement No. 14*, "*The Financial Reporting Entity*". The implementation of this new statement had no effect on the City's financial statements for 2004.

*GASB Statement No. 41* only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement did not apply to the presentation of budgetary statements by the City for 2004.

*GASB Interpretation No. 6* clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

*GASB Technical Bulletin No. 2004-2* addresses the amount that should be recognized as an expenditure/expense and as a liability for each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans.

The City implemented a new capital assets policy which increases the capitalization threshold for capital assets from \$500 to \$5,000. In addition, in the prior year financial statements, the Mt. Healthy Community Improvement Corporation was reported as a blended component unit of the reporting entity. In 2004, it was determined that the City should report the CIC as a discretely presented component unit.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE** (continued)

**Restatement of Fund Balances**

Restatements were necessary for errors discovered in interfund receivable and interfund payable, due to amounts being overstated/understated in the prior year. In addition, due to the misposting of audit adjustments, the prior year's cash balance did not agree to the City's records. Therefore, adjustments to cash at December 31, 2003, were also required.

The effect of these changes resulted in the following restatements of fund balances. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Safety Tax	Capital		Total
	Improvement	Nonmajor			
Fund Balances, December 31, 2003	\$385,810	\$8,745	\$69,941	\$209,396	\$673,892
Reclassification of Component Unit	0	0	0	(130,728)	(130,728)
Cash Activity	(8,907)	0	0	17,083	8,176
Interfund Receivable	(100,026)	0	0	0	(100,026)
Interfund Payable	0	0	0	100,026	100,026
GASB Interpretation No. 6	2,800	0	0	821	3,621
GASB Technical Bulletin No. 2004-2	(31,400)	(442)	0	(653)	(32,495)
Adjusted Fund Balance December 31, 2003	<u>\$248,277</u>	<u>\$8,303</u>	<u>\$69,941</u>	<u>\$195,945</u>	<u>\$522,466</u>
GASB 34 Adjustments:					
Deferred Assets:					
Delinquent Property Taxes					39,604
Other Local Taxes					15,522
Municipal Income Tax					366,384
Accounts Receivable					17,250
Intergovernmental Receivables					221,777
Capital Assets, Net					1,993,546
Accrued Interest Payable					(15,718)
Long-Term Liabilities:					
Bonds Payable					(1,880,969)
Intergovernmental Payable					(38,509)
Police Pension					(52,586)
Compensated Absences					<u>(116,750)</u>
Governmental Activities,					
Net Assets December 31, 2003					<u>\$1,072,017</u>

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 4 – COMPLIANCE AND ACCOUNTABILITY**

**Compliance**

The Street construction, maintenance and repair special revenue fund had appropriations in excess of estimated resources and available balances for the year ended December 31, 2004, in the amount of \$5,548. In addition, the capital investment program (CIP) capital project fund and the Compton road capital project fund had expenditures in excess of appropriation. Also, the general, street construction, maintenance and repair, safety tax, loan consolidation, capital investment program, and Compton road funds had estimated resources in excess of actual receipts.

**Accountability**

At year-end, the Safety Tax fund had a deficit fund balance of \$2,878. This deficit is due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund is liable for the deficit and provides operating transfers when cash is required, not when accruals occur.

**NOTE 5 - BUDGET TO GAAP RECONCILIATION**

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

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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

**CITY OF MT. HEALTHY, OHIO**  
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**NOTE 5 - BUDGET TO GAAP RECONCILIATION** (continued)

Net Change in Fund Balance		
	General	Safety Tax
GAAP Basis	\$190,106	(\$11,181)
Increases (decreases) Due To:		
Revenue Accruals	(188,091)	0
Expenditure Accruals	16,399	9,867
Unrecorded Cash	(447)	0
Budget Basis	\$17,967	(\$1,314)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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;

**CITY OF MT. HEALTHY, OHIO**  
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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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. 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 to maturity.

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

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

**Deposits**

At year-end, the carrying amount of the City's deposits was \$433,465, and the bank balance was \$472,143. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$272,143 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Investments**

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

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property (other than public utility) located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. 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, 2004, was \$8.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 - PROPERTY TAXES** (continued)

<u>Category</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Estate	\$76,994,820	91.48%
Public Utility Personal	5,298,250	6.30%
Tangible Personal	<u>1,868,950</u>	<u>2.22%</u>
Total Property Taxes	<u><u>\$84,162,020</u></u>	<u><u>100.00%</u></u>

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, 2004, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 8 - INCOME TAX**

The City levies a municipal income tax of 1.5 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 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 2004, income tax proceeds were allocated to the General Fund.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2004, consisted of property and other local taxes, income taxes, accounts, and intergovernmental receivables arising from grants, fines, fees and shared revenues. All receivables are considered fully collectible and will be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Homestead and Rollback	\$32,778
Estate Tax	277,618
Local Government Revenue Assistance	6,892
Undivided Local Government	10,015
Income Tax	55,211
State Gasoline Excise Tax	51,454
Motor Vehicle Registration	19,685
Gasoline Cents Per Gallon	39,328
Security Reimbursement	2,157
Total	<u><u>\$495,138</u></u>

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Restated Balance At 12/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/04</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$118,290	\$0	\$0	\$118,290
Construction in Progress	96,729	567,223	663,952	0
Total Capital Assets Not Being Depreciated	<u>215,019</u>	<u>567,223</u>	<u>663,952</u>	<u>118,290</u>
Depreciable Capital Assets:				
Land Improvements	244,154	0	0	244,154
Buildings and Building Improvements	1,172,910	0	0	1,172,910
Equipment and Vehicles	1,676,172	0	0	1,676,172
Infrastructure	0	663,952	0	663,952
Total Depreciable Capital Assets	<u>3,093,236</u>	<u>663,952</u>	<u>0</u>	<u>3,757,188</u>
Less Accumulated Depreciation:				
Land Improvements	(87,090)	(8,644)	0	(95,734)
Buildings and Building Improvements	(180,674)	(21,967)	0	(202,641)
Equipment and Vehicles	(1,046,945)	(70,739)	0	(1,117,684)
Total Accumulated Depreciation	<u>(1,314,709)</u>	<u>(101,350)</u>	<u>0</u>	<u>(1,416,059)</u>
Depreciable Capital Assets, Net	<u>1,778,527</u>	<u>562,602</u>	<u>0</u>	<u>2,341,129</u>
Governmental Activities Capital Assets, Net	<u><u>\$1,993,546</u></u>	<u><u>\$1,129,825</u></u>	<u><u>\$663,952</u></u>	<u><u>\$2,459,419</u></u>



**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 10 – CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$2,361
Security of Persons and Property	38,178
Leisure Time Activities	30,645
Transportation	<u>30,166</u>
Total Depreciation Expense	<u>\$101,350</u>

**NOTE 11 - 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 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, 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 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$64,764, \$56,280, and \$53,079 respectively; 83.56 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$320 made by the City and \$201 made by the plan members.

**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.

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 police and firefighters for the years ended December 31, 2004, 2003 and 2002 were \$72,933, \$108,878 and \$67,645 respectively, equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002. 75.87 percent has been contributed for 2004 with the remainder being reported as a liability.

**NOTE 12 - 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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

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, 2003, 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 between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$27,126. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**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.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

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 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors 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 2004 that were used to fund postemployment benefits were \$47,727 for police and firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

**Insurance Benefits**

The City has elected to provide employee medical/surgical and life insurance benefits through Anthem Blue Cross/Blue Shield 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 spouses and dependents 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 and their families.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 13 - OTHER EMPLOYEE BENEFITS** (continued)

**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 14 - 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 2004, the City contracted with Hylant Group for insurance. The coverage and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$3,000,000/5,000,000	\$0
Employers Liability (Ohio Stop Gap)	3,000,000	0
Employee Benefits Liability	1,000,000/3,000,000	0
Municipal Automobile Liability	3,000,000	Various
Property	2,719,366	1,000
Law Enforcement Liability	3,000,000/5,000,000	2,500
Public Officials' Liability	\$3,000,000/5,000,000	2,500
Crime	25,000	100
Inland Marine	131,110	500
EDP Software/Hardware	51,896	1,000
Fire Vehicle	671,000	250
Boiler and Machinery Coverage	2,719,366	1,000
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 a reduction in coverage from last year.

**NOTE 15 – TRANSFERS FROM/TO OTHER FUNDS**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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

				<u>Transfers To</u>	
				Nonmajor	
				Governmental	
				Funds	
				<hr/>	
<b>Transfers</b>	<b>From</b>	General Fund			<u>\$182,576</u>

Transfers from the General Fund to the Nonmajor Governmental Funds were made for scheduled debt service payments.

**NOTE 16 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations during 2004 were as follows:

	Balance at December 31, 2003			Balance at December 31, 2004	Amounts Due in One Year
	<u>Restated</u>	<u>Increase</u>	<u>Decrease</u>		
Various Purpose Refunding Bonds					
3.46% - 2003	\$471,969	\$0	\$88,084	\$383,885	\$91,131
Valley Auto Theater Property Bonds					
7.50% - 1990	105,000	0	15,000	90,000	15,000
Aquatic Facilities Bonds					
2.00% to 5.00% - 2002	1,195,000	0	25,000	1,170,000	25,000
Police Vehicles Refunding Bonds					
3.16% - 2003	109,000	0	26,000	83,000	26,800
<b>TOTAL - General Obligation Bonds</b>	<u>1,880,969</u>	<u>0</u>	<u>154,084</u>	<u>1,726,885</u>	<u>157,931</u>
 <u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	116,750	64,532	57,137	124,145	28,166
Cooperative Purchase Agreement	38,509	0	12,532	25,977	12,835
Police Pension Liability	52,586	0	820	51,766	855
<b>TOTAL - Other Long-Term Obligations</b>	<u>207,845</u>	<u>64,532</u>	<u>70,489</u>	<u>201,888</u>	<u>41,856</u>
<b>TOTAL - General Long-Term Obligations</b>	<u>\$2,088,814</u>	<u>\$64,532</u>	<u>\$224,573</u>	<u>\$1,928,773</u>	<u>\$199,787</u>

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 of refunding the 1997 Various Purpose and 1997 Building Improvement General Obligation Bonds as well as the 2001 Fire Equipment Loan. Interest is paid annually. The bond issue will be repaid from Safety Tax Fund and General Fund monies transferred to the Debt Service Fund.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

The Aquatic Facilities bonds were issued on April 30, 2002 in the amount of \$1,250,000 for a period of 20 years. The bonds were issued at 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 Debt Service Fund.

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

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

On May 12, 2001, the City 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 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, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,110,127, and the unvoted legal debt margin was \$2,902,026.

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2004, are:

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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

	Various Purpose Refundng		Valley Auto Theater Property		Aquatic Facilities		Police Vehicles Refundng	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$91,131	\$13,283	\$15,000	\$6,188	\$25,000	\$58,950	\$26,800	\$2,623
2006	94,285	10,129	15,000	5,063	25,000	58,213	27,700	1,776
2007	97,547	6,867	15,000	3,938	40,000	57,288	28,500	901
2008	100,922	3,492	15,000	2,813	55,000	55,588	0	0
2009	0	0	15,000	1,688	60,000	53,250	0	0
2010-2014	0	0	15,000	563	335,000	225,638	0	0
2015-2019	0	0	0	0	425,000	129,250	0	0
2020-2021	0	0	0	0	205,000	17,050	0	0
Total	<u>\$383,885</u>	<u>\$33,771</u>	<u>\$90,000</u>	<u>\$20,253</u>	<u>\$1,170,000</u>	<u>\$655,227</u>	<u>\$83,000</u>	<u>\$5,300</u>

The following schedule represents the remaining principal and interest payments to be made by the City of Mt. Healthy on the cooperative purchase agreement:

Year Ending Date	Principal	Interest	Total Payment
2005	\$12,835	\$469	\$13,304
2006	13,142	158	13,300
Total	<u>\$25,977</u>	<u>\$627</u>	<u>\$26,604</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 Center is governed by a five member board of trustees. Each of the trustees is the chief administrative officer of the entity that they represent. Trustees are volunteer members, ratified by the general members of the Center. The City does not have any financial interest in or responsibility for the Center. The City's financial contribution during 2004 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, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

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

Payments to the HCML are made from the General Fund. The amount the City paid during 2004 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, 2004, to December 31, 2004, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 19 – MT. HEALTHY COMMUNITY IMPROVEMENT CORPORATION**

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of the Mt. Healthy Community Improvement Corporation.

**A. Basis of Accounting**

The Mt. Healthy Community Improvement Corporation prepares financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles.

**B. Budgetary Basis of Accounting**

Budgetary information for the CIC is not presented because it is not included in the entity for which the “appropriated budget” is adopted and does not maintain separate budgetary financial records.

**C. Cash and Cash Equivalents**

**Deposits**

At year end, the carrying amount of the CIC’s deposits was \$116,873 and the bank balance was \$116,873. Of the bank balance \$100,000 was covered by federal depository insurance, and \$16,873 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the CIC to a successful claim by the FDIC.

**Investments**

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

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards**

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

We have audited the 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, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 8, 2006. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a discretely presented component unit of the City. Those financial statements were audited by another auditor while 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. As described in Note 3, during the year ended December 31, 2004, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Also as described in Note 3, during the year ended December 31, 2004, the City implemented GASB Statement Nos. 37, 38, 29 and 41, and GASB interpretation No. 6, and GASB Technical Bulletin No. 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to opine 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 reportable 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 caused by error or fraud 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 certain matters involving the internal control over financial reporting that we did not deem reportable conditions, that we have reported to the management of the City in a separate letter dated February 8, 2006.

Members of Council  
City of Mt. Healthy  
Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompany schedule of findings as items 2004-01, 2004-02 and 2004-03. We also noted another instance of noncompliance that we have reported to the management of the City in a separate letter dated February 8, 2006

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.

February 8, 2006

**CITY OF MT. HEALTHY, OHIO**  
**Hamilton County**  
**Schedule of Findings**  
**For the Year Ended December 31, 2004**

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

***Finding Number 2004-01***

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 Street Construction, Maintenance and Repair Fund had appropriations that exceeded estimated revenues.

***Finding Number 2004-02***

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 Capital Investment Program (CIP) and Compton Road Funds.

***Finding Number 2004-03***

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. The City estimated resources more than actual receipts for the year, which could lead to the City appropriating more than is actually available to spend in the General, Street Construction, Maintenance and Repair Fund, Safety Tax, Loan Consolidation, Capital Investment Program (CIP), and Compton Road Funds.

**CITY OF MT. HEALTHY, OHIO**  
**Hamilton County**  
Corrective Action Plan  
For the Year Ended December 31, 2004

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<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Contact Person</b>
2004-001	The City intends to review a comparison of the estimated resources and appropriations on a more regular basis.	Immediately	Jill Claire, City Auditor
2004-002	The City will monitor capital project expenditures more closely, to ensure that appropriations adopted are adequate.	Immediately	Jill Claire, City Auditor
2004-003	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

**CITY OF MT. HEALTHY, OHIO**  
**Hamilton County**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2004**

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 5705.09 - money paid into any fund shall be used only for the purposes for which the fund is established.	Corrected	N/A







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Betty Montgomery**

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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**