MT. HEALTHY CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2008

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

We have reviewed the *Independent Auditor's Report* of the Mt. Healthy City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 27, 2009

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PLATTENBURG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mt Healthy City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt Healthy City School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
February 27, 2009

The discussion and analysis of Mt. Healthy City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities increased $6,698,538 which represents a 78% increase from 2007.

- General revenues accounted for $33,112,308 in revenue or 66% of all revenues. Program specific evenues in the form of charges for services and sales, grants and contributions accounted for $17,078,785 or 34% of total revenues of $50,191,093 .

- The District had $43,492,555 in expenses related to governmental activities; $17,078,785 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $33,112,308 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

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

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

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

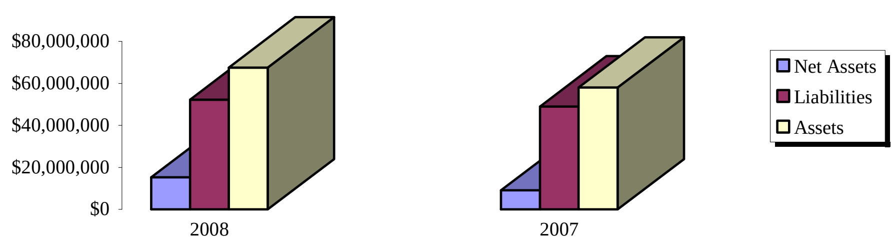
Other Information. In addition to the basic financial statements and accompanying notes, this report contains required supplementary information concerning the budget of the General Fund.

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

Table 1
Net Assets

	Governmental Activities	
	2008	2007
Assets:		
Current and Other Assets	$58,162,617	$53,357,629
Capital Assets	9,426,109	4,687,158
Total Assets	67,588,726	58,044,787
Liabilities:		
Other Liabilities	14,548,129	46,574,512
Long-Term Liabilities	37,769,954	2,898,170
Total Liabilities	52,318,083	49,472,682
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,801,730	3,515,890
Restricted	11,098,543	2,423,258
Unrestricted	1,370,370	2,632,957
Total Net Assets	$15,270,643	$8,572,105



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by $15,270,643 .

At year-end, capital assets represented 14% of total assets. Capital assets include land, construction in progress, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, was $2,801,730 . These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, $11,098,543 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due to an increase in taxes receivable. Capital Assets increased due to the ongoing school improvements construction project. Long-term liabilities increased mainly due to the issuance of $33,000,000 in long-term school improvements bonds and other liabilities decreased mainly due to the payoff of the $33,000,000 short term bond anticipation note.

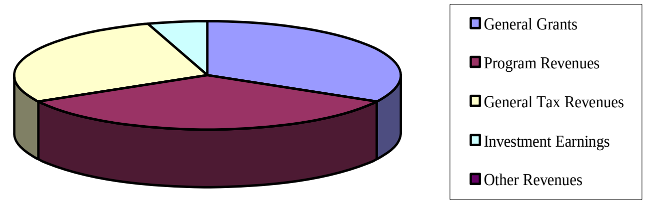
Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues		
Charges for Services	$1,161,466	$1,354,519
Operating Grants, Contributions	9,690,791	8,871,784
Capital Grants and Contributions	6,226,528	1,583,724
General Revenues:		
Property Taxes	14,057,193	12,455,973
Grants and Entitlements	16,496,509	17,208,999
Other	2,558,606	679,930
Total Revenues	50,191,093	42,154,929
Program Expenses:		
Instruction	22,692,152	21,959,913
Support Services:		
Pupil and Instructional Staff	5,320,721	5,491,890
School Administrative, General Administration, Fiscal and Business	3,774,469	3,847,069
Operations and Maintenance	4,000,585	3,514,868
Pupil Transportation	2,473,645	2,277,113
Central	268,725	281,866
Operation of Non-Instructional Services	2,168,131	2,002,733
Extracurricular Activities	754,917	782,956
Interest and Fiscal Charges	2,039,210	33,886
Total Program Expenses	43,492,555	40,192,294
Change in Net Assets	6,698,538	1,962,635
Net Assets Beginning of Year	8,572,105	6,609,470
Net Assets End of Year	$15,270,643	$8,572,105

The District revenues are mainly from two sources. Property taxes levied for general, special revenue and capital project purposes and grants and entitlements comprised 61% of the District's revenues for governmental activities. The District's reliance upon tax revenues is demonstrated in the following graph:

Revenue Sources	2008	Percent of Total
General Grants	$16,496,509	33%
Program Revenues	17,078,785	34%
General Tax Revenues	14,057,193	28%
Investment Earnings	2,495,237	5%
Other Revenues	63,369	0%
	$50,191,093	100%



The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay $35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 28% of revenue for governmental activities for the District in fiscal year 2008.

Capital grants and contributions increased in 2008 as compared to 2007 due to the District receiving approximately a $6.2 million classroom facilities state grant for the purposes of renovating various classrooms throughout the District. Property taxes increased mainly due to an increase in property tax receipts. Instructional expenses increased mainly due to general inflationary costs.

Instruction comprises 52.2% of governmental program expenses. Support services expenses were 36.4% of governmental program expenses. All other expenses including interest expense were 11.4% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	$22,692,152	$21,959,913	($11,814,259)	($15,046,592)
Support Services:				
Pupil and Instructional Staff	5,320,721	5,491,890	(3,313,204)	(3,169,136)
School Administrative, General Administration, Fiscal and Business	3,774,469	3,847,069	(3,248,974)	(3,604,704)
Operations and Maintenance	4,000,585	3,514,868	(3,642,168)	(3,407,864)
Pupil Transportation	2,473,645	2,277,113	(2,261,463)	(2,133,161)
Central	268,725	281,866	(142,506)	(281,866)
Operation of Non-Instructional Services	2,168,131	2,002,733	18,499	(59,839)
Extracurricular Activities	754,917	782,956	(429,758)	(646,333)
Interest and Fiscal Charges	2,039,210	33,886	(2,039,210)	(32,772)
Total Expenses	$43,492,555	$40,192,294	($26,873,043)	($28,382,267)

The District's Funds

The District has three major governmental funds: the General Fund, the Building Fund and the Classroom Facilities Fund. Assets of these funds comprised $54,207,585 (93%) of the total $58,068,681 governmental funds assets.

General Fund: Fund balance at June 30, 2008 was $3,160,865 a decrease in fund balance of $1,009,739 from 2007. The primary reason for the decrease in fund balance was due to an increase in operation and maintenance expenditures.

Building Fund: Fund balance at June 30, 2008 was $7,151,337, an increase in fund balance of $7,230,757. The increase in fund balance was due to a transfer in of the proceeds of the $33,000,000 debt issue.

Classroom Facilities Fund: Fund balance at June 30, 2008 was $30,514,227, an increase in fund balance of $29,398,113. The increase in fund balance was due to transfer in of the Classroom Facilities Program funding related to the $33,000,000 debt issue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was $32,164,821.

The District's ending unobligated cash balance was $2,077,330.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had $9,426,109 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

Table 4
Capital Assets, Net of Depreciation

	Governmental Activities	
	2008	2007
Land	$2,059,151	$359,151
Construction in Progress	3,673,185	508,247
Buildings and Improvements	2,875,545	2,898,955
Equipment	818,228	920,805
Total Net Capital Assets	$9,426,109	$4,687,158

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

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

Debt

At June 30, 2008, the District had $35,951,194 in Loan, Bonds and Capital Leases outstanding $849,842 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2008	2007
Energy Conservation Loan	$235,026	$296,091
2008 School Improvement Bonds	33,000,000	0
Premium on 2008 School Improvement Bonds	2,024,031	0
Capital Leases	692,137	366,930
Total Loan, Bonds, and Capital Leases Payable	$35,951,194	$663,021

See Note 9 and 10 to the basic financial statements for further details on the District's outstanding debt.

For the Future

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

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

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

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

Contacting the District's Financial Management

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

Mt. Healthy City School District
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$40,816,476
Restricted Cash and Investments	876,968
Receivables:	
Taxes	15,431,279
Accounts	28,557
Intergovernmental	417,774
Deferred Bond Issuance Costs	577,664
Inventory	13,899
Nondepreciable Capital Assets	5,732,336
Depreciable Capital Assets, Net	3,693,773
Total Assets	67,588,726
Liabilities:	
Accounts Payable	384,090
Accrued Wages and Benefits	4,840,144
Accrued Interest Payable	129,591
Contracts Payable	244,478
Unearned Revenue	8,949,826
Long-Term Liabilities:	
Due Within One Year	1,081,999
Due In More Than One Year	36,687,955
Total Liabilities	52,318,083
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,801,730
Restricted for:	
Debt Service	1,860,021
Capital Projects	8,361,554
Set-Aside	876,968
Unrestricted	1,370,370
Total Net Assets	$15,270,643

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$13,058,562	$259,733	$1,530,233	$5,329,257	($5,939,339)
Special	5,447,596	246,815	3,430,318	185,904	(1,584,559)
Vocational	204,742	24	63,890	0	(140,828)
Other	3,981,252	0	290,992	0	(3,690,260)
Support Services:					
Pupil	2,348,907	0	896,862	0	(1,452,045)
Instructional Staff	2,971,814	28,498	1,082,157	0	(1,861,159)
General Administration	141,616	0	0	0	(141,616)
School Administration	2,711,615	7,498	193,844	309,841	(2,200,432)
Fiscal	790,212	0	14,312	0	(775,900)
Business	131,026	0	0	0	(131,026)
Operations and Maintenance	4,000,585	107,955	2,590	247,872	(3,642,168)
Pupil Transportation	2,473,645	0	182,464	29,718	(2,261,463)
Central	268,725	5	2,278	123,936	(142,506)
Operation of Non-Instructional Services	2,168,131	367,043	1,819,587	0	18,499
Extracurricular Activities	754,917	143,895	181,264	0	(429,758)
Interest and Fiscal Charges	2,039,210	0	0	0	(2,039,210)
Total Governmental Activities	$43,492,555	$1,161,466	$9,690,791	$6,226,528	(26,413,770)

General Revenues:	
Property Taxes Levied for:	
General Purposes	12,146,853
Special Revenue Purposes	156,420
Debt Service Purposes	1,753,920
Grants and Entitlements not Restricted to Specific Programs	16,496,509
Investment Earnings	2,495,237
Other Revenues	63,369
Total General Revenues	33,112,308
Change in Net Assets	6,698,538
Net Assets Beginning of Year	8,572,105
Net Assets End of Year	$15,270,643

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	$1,813,863	$7,183,201	$30,726,841	$1,092,571	$40,816,476
Restricted Cash and Investments	876,968	0	0	0	876,968
Receivables:					
Taxes	13,150,418	0	0	2,280,861	15,431,279
Accounts	18,080	0	0	10,477	28,557
Intergovernmental	14,221	0	0	403,553	417,774
Interfund	423,993	0	0	59,735	483,728
Inventory	0	0	0	13,899	13,899
Total Assets	16,297,543	7,183,201	30,726,841	3,861,096	58,068,681
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	367,319	0	0	16,771	384,090
Accrued Wages and Benefits	3,891,353	0	0	948,791	4,840,144
Compensated Absences	119,588	0	0	0	119,588
Contracts Payable	0	31,864	212,614	0	244,478
Interfund Payable	0	0	0	483,728	483,728
Deferred Revenue	8,758,418	0	0	1,766,497	10,524,915
Total Liabilities	13,136,678	31,864	212,614	3,215,787	16,596,943
Fund Balances:					
Reserved for Encumbrances	732,629	579,768	3,205,353	189,439	4,707,189
Reserved for Inventory	0	0	0	13,899	13,899
Reserved for Property Tax Advances	4,392,000	0	0	734,000	5,126,000
Reserved for Set-Aside	876,968	0	0	0	876,968
Unreserved, Undesignated, Reported in:					
General Fund	(2,840,732)	0	0	0	(2,840,732)
Special Revenue Funds	0	0	0	(802,810)	(802,810)
Debt Service Funds	0	0	0	528,315	528,315
Capital Projects Funds	0	6,571,569	27,308,874	(17,534)	33,862,909
Total Fund Balances	3,160,865	7,151,337	30,514,227	645,309	41,471,738
Total Liabilities and Fund Balances	$16,297,543	$7,183,201	$30,726,841	$3,861,096	$58,068,681

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2008

Total Governmental Fund Balance		$41,471,738
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.		9,426,109
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,355,453	
Intergovernmental	219,636	
		1,575,089
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(129,591)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	(1,699,172)	
		(1,699,172)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		577,664
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(35,951,194)
Net Assets of Governmental Activities		$15,270,643

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$12,096,139	$0	$0	$1,714,572	$13,810,711
Tuition and Fees	545,740	0	0	0	545,740
Investment Earnings	196,738	529,916	1,767,082	1,501	2,495,237
Intergovernmental	18,927,758	0	6,196,810	7,591,709	32,716,277
Extracurricular Activities	28,483	0	0	104,746	133,229
Charges for Services	0	0	0	367,043	367,043
Other Revenues	24,004	0	0	154,820	178,824
Total Revenues	31,818,862	529,916	7,963,892	9,934,391	50,247,061
Expenditures:					
Current:					
Instruction:					
Regular	11,704,147	0	0	1,504,483	13,208,630
Special	3,808,445	0	0	1,572,402	5,380,847
Vocational	173,481	0	0	10,171	183,652
Other	3,658,433	0	0	322,819	3,981,252
Support Services:					
Pupil	1,349,535	0	0	985,025	2,334,560
Instructional Staff	1,666,487	0	0	1,341,569	3,008,056
General Administration	141,616	0	0	0	141,616
School Administration	2,304,633	0	0	228,095	2,532,728
Fiscal	734,253	0	0	48,713	782,966
Business	142,260	0	0	0	142,260
Operations and Maintenance	4,065,282	0	0	42,053	4,107,335
Pupil Transportation	2,381,322	0	0	31,614	2,412,936
Central	317,218	0	0	2,313	319,531
Operation of Non-Instructional Services	42,285	0	0	2,125,996	2,168,281
Extracurricular Activities	574,525	0	0	182,137	756,662
Capital Outlay	3,396	2,909,229	1,955,709	73,081	4,941,415
Debt Service:					
Principal Retirement	42,583	0	0	125,062	167,645
Interest and Fiscal Charges	8,685	0	0	1,959,175	1,967,860
Total Expenditures	33,118,586	2,909,229	1,955,709	10,554,708	48,538,232
Excess of Revenues Over (Under) Expenditures	(1,299,724)	(2,379,313)	6,008,183	(620,317)	1,708,829
Other Financing Sources (Uses):					
Issuance of Capital Leases	431,787	0	0	0	431,787
Issuance of Long-Term Bonds	0	0	0	33,000,000	33,000,000
Bond Issuance Costs	0	0	0	(598,295)	(598,295)
Premium on Bonds	0	0	0	2,096,318	2,096,318
Transfers In	0	33,000,000	23,389,930	159,556	56,549,486
Transfers (Out)	(141,802)	(23,389,930)	0	(33,017,754)	(56,549,486)
Total Other Financing Sources (Uses)	289,985	9,610,070	23,389,930	1,639,825	34,929,810
Net Change in Fund Balance	(1,009,739)	7,230,757	29,398,113	1,019,508	36,638,639
	4,170,604	(79,420)	1,116,114	(374,199)	4,833,099
Fund Balance End of Year	$3,160,865	$7,151,337	$30,514,227	$645,309	$41,471,738

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balance - Total Governmental Funds			$36,638,639
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.			
Capital assets used in governmental activities		5,272,930	
Depreciation Expense		(418,311)	
			4,854,619
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.			(115,668)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Delinquent Property Taxes		246,481	
Intergovernmental		(302,449)	
			(55,968)
Repayment of loan, bonds, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			167,645
In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due.			(123,006)
In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.			
Bond Issuance Costs on Bonds Issued		598,295	
Premium on Bonds Issued		(2,096,318)	
			(1,498,023)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Compensated Absences	210,431		
Amortization of Bond Issuance Cost	(20,631)		
Amortization of Bond Premium	72,287		
			262,087
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.			(33,431,787)
Change in Net Assets of Governmental Activities			$6,698,538

See accompanying notes to the basic financial statements.

Mt. Healthy City School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2008

	Agency
Assets:	
Equity in Pooled Cash and Investments	$43,872
Total Assets	43,872
Liabilities:	
Accounts Payable	2,155
Other Liabilities	41,717
Total Liabilities	$43,872

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE DISTRICT

The Mt. Healthy City School District (the District) was chartered by the Ohio State Legislature in 1832 when state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 165 support staff personnel and approximately 277 certificated full time teaching and administrative personnel to provide services to students and other community members.

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

REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Private Purpose Trust funds (except Agency) are reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

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

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

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

Classroom Facilities Fund – The classroom facilities fund is used to account for the receipts and expenditures related to construction projects.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Private purpose trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an Agency Fund. The District's Agency Fund accounts for assets and liabilities generated by student managed activities.

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

EQUITY IN POOLED CASH AND INVESTMENTS

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue in the General fund during fiscal year 2008 amounted to $196,738, $529,916 in the Building fund, $1,767,082 in the Classroom Facilities fund, and $1,501 in Other Governmental Funds.

INVENTORY

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

CAPITAL ASSETS

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

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	5-30 years
Equipment	5-20 years

COMPENSATED ABSENCES

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

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

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

Vacation	Certified	Administrators	Non-Certificate
How earned	Not Eligible	15-25 days service at start of each contract year	10-25 days for each year depending on length of service
Maximum Accumulation	Not Applicable	20 days at end of their contract year	20 days at end of their contract year
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

Sick Leave	Certified	Administrators	Non-Certificate
How Earned	1-1/2 days per month of employment (18 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/2 days per month of employment (18 days per year)
Maximum Accumulation	265 days	265 days	265 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the $11,098,543 in restricted net assets, none were restricted by enabling legislation.

INTERFUND ACTIVITY

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

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

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

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, property tax advances and set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

ESTIMATES

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

RESTRICTED ASSETS

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

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

(2) Bonds notes, debentures, or other obligations or securities issued by any federal governmental agency.

(3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

(4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

(5) Bonds, and other obligations of the State of Ohio.

(6) The Ohio State Treasurer's investment pool (STAR Ohio).

(7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2008, $9,746,032 of the District's bank balance of $9,946,032 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2008, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	$2,866,166	0.00
STAROhio	270,435	0.15
Federal Home Loan Bank	20,871,030	1.67
Federal Home Loan Mortgage	2,186,223	2.17
Federal Farm Credit Bank	3,089,070	1.50
Federal National Mortgage Association	2,881,368	1.72
Total Fair Value	$32,164,292	
Portfolio Weighted Average Maturity		1.56

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

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

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 1% of the District's investments in STAROhio, 9% in Repurchase Agreements, 65% in Federal Home Loan Bank, 7% in Federal Home Loan Mortgage, 9% in Federal Farm Credit Bank and 9% in Federal National Mortgage Association.

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

5. PROPERTY TAXES

Real property taxes collected in 2008 were levied in April on the assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a $10,000 exemption in assessed value which was reimbursed by the State.

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

Real property taxes are payable annually or semi-annually. In 2008, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2008. Delinquent property taxes collected within 60 days of the fiscal year end are included as a receivable and tax revenue on the fund financial statements. All delinquent property taxes outstanding at June 30, 2008 are recognized as a revenue and receivable on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008, was $4,392,000 for General Fund and $734,000 in Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2008 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	Amount
Agricultural/Residential and Other Real Estate	$355,241,760
Public Utility	10,387,240
Tangible Personal Property	3,754,355
Total	$369,383,355

6. RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$359,151	$1,700,000	$0	$2,059,151
Construction in Progress	508,247	3,164,938	0	3,673,185
Capital Assets, being depreciated:				
Buildings and Improvements	13,534,564	80,617	72,156	13,543,025
Equipment	6,526,644	327,375	370,132	6,483,887
Totals at Historical Cost	20,928,606	5,272,930	442,288	25,759,248
Less Accumulated Depreciation:				
Buildings and Improvements	10,635,609	238,509	206,638	10,667,480
Equipment	5,605,839	179,802	119,982	5,665,659
Total Accumulated Depreciation	16,241,448	418,311	326,620	16,333,139
Governmental Activities Capital Assets, Net	$4,687,158	$4,854,619	$115,668	$9,426,109

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$162,276
Special	18,360
Support Services:	
Instructional Staff	9,150
School Administration	64,436
Fiscal	58
Operations and Maintenance	108,227
Pupil Transportation	25,645
Central	10,444
Operation of Non-Instructional Services	16,091
Extracurricular Activities	3,624
Total Depreciation Expense	$418,311

8. SHORT-TERM NOTES PAYABLE

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

	Beginning Principal Outstanding	Additions	Deletions	Ending Principal Outstanding
School Improvement 2007	$33,000,000	$0	$33,000,000	$0

The short-term bond anticipation notes are shown as liabilities of the fund which received the note proceeds. Accordingly, the note was paid out of the debt service fund.

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

9. LONG-TERM LIABILITIES

	Interest Rate	Restated Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
Governmental Activities:						
Loan and Bonds Payable:						
Energy Conservation Loan	2.20%	$296,091	$0	$61,065	$235,026	$63,674
2008 School Improvement Bonds	4.25%	0	33,000,000	0	33,000,000	650,000
2008 School Improvement Premium on Bonds		0	2,096,318	72,287	2,024,031	0
Capital Leases Payable:						
2005 Project Facilities Lease	4.23%	170,252	0	35,112	135,140	36,613
2005 Roof Replacement Lease	4.37%	96,202	0	22,530	73,672	23,515
2005 Food Service Truck Lease	4.37%	27,134	0	6,355	20,779	6,632
2006 Bus Lease	4.99%	73,342	0	28,258	45,084	29,684
2008 Fieldhouse Lease	4.85%	0	431,787	14,325	417,462	39,724
Total Long-Term Debt		663,021	35,528,105	239,932	35,951,194	849,842
Compensated Absences		1,775,876	461,527	418,643	1,818,760	232,157
Total Governmental Activities Long-Term Liabilities		$2,438,897	$35,989,632	$658,575	$37,769,954	$1,081,999

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

On January 24, 2008, the District issued $33,000,000 in School Improvement Bonds with an average interest rate of 4.25% to fund the building construction project for the District. The District had a $2,096,318 premium on the issuance of these bonds and will be amortized over the remaining life of the debt.

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2008 follows:

Fiscal Year	Bonds and Loan		
Ending June 30	Principal	Interest	Total
2009	$713,674	$1,529,114	$2,242,788
2010	661,397	1,506,159	2,167,556
2011	689,235	1,482,802	2,172,037
2012	690,720	1,458,349	2,149,069
2013	750,000	1,434,763	2,184,763
2014-2018	4,135,000	6,772,538	10,907,538
2019-2023	5,040,000	5,772,314	10,812,314
2024-2028	6,415,000	4,320,537	10,735,537
2029-2033	8,180,000	2,552,500	10,732,500
2034-2036	5,960,000	457,500	6,417,500
Total	$33,235,026	$27,286,576	$60,521,602

10. CAPITAL LEASE

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

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

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

Fiscal Year Ending June 30	Capital Leases
2009	$166,884
2010	154,650
2011	135,245
2012	79,998
2013	59,025
2014-2017	216,472
Total Minimum Lease Payments	812,274
Less: Amount Representing Interest	(120,137)
Present Value of Minimum Lease Payments	$692,137

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

Building and Improvements	$869,129
Equipment	591,613

11. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications.*

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2008, 2007, and 2006 were $790,860, $729,864, and $724,272, respectively; 49% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited members accounts as employers submit their payroll information to STRS Ohio, generally biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31^{st} year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits
Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy
Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were $2,173,764, $2,307,816, and $2,338,812, respectively; 84% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

12. POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (the latest information available) was $93.50; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68%. District contributions for the year ended June 30, 2008 were $38,413, which equaled the required contributions for the year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, (the latest information available) the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District contributions for the years ended June 30, 2008, 2007, and 2006 were $187,547, $178,295, and $176,929, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007, (the latest information available), the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2008, 2007, and 2006 were $155,269, $164,844, and $167,058, respectively.

13. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2008.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

14. RISK MANAGEMENT

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

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

The District carries performance bonds in the amount of $50,000 for the Superintendent, Treasurer and Board President by Cincinnati Insurance Company. The Indiana Insurance Company also maintains a $5,000 public officials blanket bond for all employees. The District pays the Ohio State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides a minimum of $45,000 life insurance and accidental death and dismemberment insurance policy to all employees except administrators through Sun Life Insurance Co. The District provides administrators a maximum of 1.5 times their salary life insurance and accidental death with a maximum of $150,000.

The District offers medical/surgical/hospitalization insurance benefits to all employees through Choice Care.

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

15. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton/Clermont Cooperative Association (HCCA) is a computer service organization whose primary function is to provide information technology services to its members. Currently, the District along with 31 other member school districts in the Ohio counties of Hamilton and Clermont are participants. The Association was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of HCCA consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Each of the schools support HCCA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained from their fiscal agent, the Hamilton County Education Service Center, Donald Rabe who serves as Treasurer, at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

Great Oaks Institute of Technology Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of eleven representatives from the various city and county boards within Hamilton County, which possesses its own budgeting and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology Joint Vocational School, Robert Giuffrè who serves as Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

16. COMPLIANCE AND ACCOUNTABILITY

Compliance

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

Rotary	$765
Underground Storage	11,000
Bond Retirement	353,055
Other Grants	14,956
District Managed Accts	6,339
EMIS	8,185
School Net Prof	3,609
Ohio Reads	5,748
Career Education	11,749
Title I	137,525
Title V	5,124
Drug Free	3513

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

Permanent Improvement	$23,843
Building	385,275
Food Service	6,178
Student Activity	56,537
Auxilliary	240,187

Accountability

The following individual funds had a deficit in fund balance at year end:

Special Revenue Funds:	
District Managed Activity	$79,908
Management Information Systems*	222
Special Education*	444,865
Title I	89,041
Title V*	6,862
Drug Free Schools*	4,401
IDEA Preschool Grant	200
Improving Teacher Quality*	33,741
Poverty Aid	394,556

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

**- a deficit also exists for this fund on the budgetary basis, resulting in a compliance citation for violation of Ohio Revised Code 5705.10.*

17. FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2007	$553,597	$0	$168,887
Current Year Set Aside Requirements	546,164	546,164	0
Qualified Disbursements	(391,680)	(1,122,399)	0
Set Aside Reserve Balance as of June 30, 2008	$708,081	($576,235)	$168,887
Restricted Cash as of June 30, 2008	$708,081	$0	$168,887

Expenditures for instructional materials activity during the year totaled $391,680.

Expenditures for capital activity during the year totaled $1,122,399, which exceeded the amount required for the set-aside.

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

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2008, consisted of the following interfund receivables and payables, transfers in and transfers out:

	Interfund Loan		Transfers	
	Receivable	Payable	In	Out
General Fund	$423,993	$0	$0	$141,802
Building Fund	0	0	33,000,000	23,389,930
Classroom Facilities Fund	0	0	23,389,930	
Other Governmental Funds	59,735	483,728	159,556	33,017,754
Total All Funds	$483,728	$483,728	$56,549,486	$56,549,486

All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund balance/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 unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; or to segregate and to return money to the fund from which it was originally provided once a project is completed. The transfers out of the Building Fund and Other Governmental Funds and the offsetting transfers in are for financial reporting purposes only.

19. CONSTRUCTION AND OTHER COMMITMENTS

At June 30, 2008, uncompleted construction contracts are as follows:

Description	Remaining Commitment
School Improvements	$4,025,603

20. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and GASB Statement No. 50 "Pension Disclosures."

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as "other postemployment benefits (OPEB)."

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

REQUIRED SUPPLEMENTARY INFORMATION

Mt. Healthy City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	$12,215,200	$12,215,200	$12,115,139	($100,061)
Tuition and Fees	553,224	553,224	548,692	(4,532)
Investment Earnings	198,363	198,363	196,738	(1,625)
Intergovernmental	19,143,736	19,143,736	18,986,919	(156,817)
Extracurricular Activities	28,718	28,718	28,483	(235)
Other Revenues	25,580	25,580	25,370	(210)
Total Revenues	32,164,821	32,164,821	31,901,341	(263,480)
Expenditures:				
Current:				
Instruction:				
Regular	12,895,146	12,895,146	12,186,413	708,733
Special	4,019,135	4,019,135	3,798,238	220,897
Vocational	182,225	182,225	172,210	10,015
Other	3,887,854	3,887,854	3,674,173	213,681
Support Services:				
Pupil	1,430,969	1,430,969	1,352,321	78,648
Instructional Staff	1,798,912	1,798,912	1,700,042	98,870
General Administration	158,894	158,894	150,161	8,733
School Administration	2,518,818	2,518,818	2,380,381	138,437
Fiscal	812,134	812,134	767,498	44,636
Business	160,750	160,750	151,915	8,835
Operations and Maintenance	4,367,140	4,367,140	4,127,117	240,023
Pupil Transportation	2,575,820	2,575,820	2,434,250	141,570
Central	397,907	397,907	376,038	21,869
Operation of Non-Instructional Services	46,343	46,343	43,796	2,547
Extracurricular Activities	607,593	607,593	574,199	33,394
Capital Outlay	3,594	3,594	3,396	198
Debt Service:				
Principal Retirement	42,583	45,060	42,583	2,477
Interest and Fiscal Charges	11,667	9,190	8,685	505
Total Expenditures	35,917,484	35,917,484	33,943,416	1,974,068
Excess of Revenues Over (Under) Expenditures	(3,752,663)	(3,752,663)	(2,042,075)	1,710,588
Other Financing Sources (Uses):				
Advances In	4,167	4,167	4,133	(34)
Advances (Out)	(19,807)	(19,807)	(18,718)	1,089
Transfers In	38,764	38,764	38,446	(318)
Transfers (Out)	(179,504)	(179,504)	(169,638)	9,866
Total Other Financing Sources (Uses)	(156,380)	(156,380)	(145,777)	10,603
Net Change in Fund Balance	(3,909,043)	(3,909,043)	(2,187,852)	1,721,191
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,265,182	4,265,182	4,265,182	0
Fund Balance End of Year	$356,139	$356,139	$2,077,330	$1,721,191

See accompanying notes to the required supplementary information.

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2008.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	General
GAAP Basis	($1,009,739)
Net Adjustment for Revenue Accruals	82,479
Net Adjustment for Expenditure Accruals	180,726
Issuance of Capital Leases	(431,787)
Transfers In	38,446
Transfers (Out)	(27,836)
Advances In	4,133
Advances (Out)	(18,718)
Encumbrances	(1,005,556)
Budget Basis	($2,187,852)

MT HEALTHY CITY SCHOOL DISTRICT

Single Audit Report

June 30, 2008

MT. HEALTHY CITY SCHOOL DISTRICT

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	05-PU	10.553	$492,435		$492,435	
National School Lunch Program	LL-P4	10.555	884,140		884,140	
Summer Food Service Program for Children	CC-MO	10.559	17,074		17,074	
Total Nutrition Cluster			1,393,649	0	1,393,649	0
Food Distribution Program	05-PU	10.550	0	102,805	0	102,805
Team Nutrition	N/A	10.574	1,500		1,500	
Total U.S. Department of Agriculture			1,395,149	102,805	1,395,149	102,805
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States	6B-SF	84.027	1,107,400		1,328,542	
Special Education Preschool Grants	PG-S1	84.173	26,100		24,798	
Total Special Education Cluster			1,133,500	0	1,353,340	0
Title I Grants to Local Educational Agencies	C1-S1	84.010	1,274,252		1,377,607	
Safe & Drug Free Schools & Communities	DR-S1	84.186	13,055		19,915	
State Grants for Innovative Programs	C2-S1	84.298	1,902		3,031	
Education Technology - State Grants	TJ-S1	84.318	22,047		16,625	
Comprehensive School Reform Demonstration	RF-CC	84.332	16,301		16,301	
English Language Acquisition Grants	N/A	84.365	8,058		8,291	
Improving Teacher Quality	TR-S1	84.367	243,988		238,699	
Total U.S. Department of Education			2,713,103	0	3,033,809	0
Total Federal Assistance			$4,108,252	$102,805	$4,428,958	$102,805

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

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

PLATTENBURG
Certified Public Accountants

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

To the Board of Education
Mt Healthy City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt Healthy City School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of finds as items 2008-01 and 2008-02.

We noted certain matters that we reported to management of the District in a separate letter dated February 27, 2009.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
February 27, 2009

PLATTENBURG
Certified Public Accountants

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

To the Board of Education
Mt Healthy City School District

Compliance

We have audited the compliance of the Mt Healthy City School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2008, and have issued our report thereon dated February 27, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
February 27, 2009

MT. HEALTHY CITY SCHOOL DISTRICT
June 30, 2008

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number 2008-01

Non Compliance Citation

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

Rotary	$765
Underground Storage	11,000
Bond Retirement	353,055
Other Grants	14,956
District Managed Accts	6,339
EMIS	8,185
School Net Prof	3,609
Ohio Reads	5,748
Career Education	11,749
Title I	137,525
Title V	5,124
Drug Free	3513

Recommendation

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

Management's Comments/Response

The District will limit appropriations by estimated resources.

Finding Number 2008-02

Non Compliance Citation

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

Permanent Improvement	$23,843
Building	385,275
Food Service	6,178
Student Activity	56,537
Auxilliary	240,187

Recommendation

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

Management's Comments/Response

The District will limit actual expenditures by appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

MT. HEALTHY CITY SCHOOL DISTRICT
JUNE 30, 2008

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

Finding Number	**Finding Summary**	**Fully Corrected?**	**If not fully corrected, *Explain Status:***
2007-01	Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources.	No	Reissued as finding 2008-01.
2007-02	Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated.	No	Reissued as finding 2008-02

Mary Taylor, CPA
Auditor of State

MT. HEALTHY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009