CITY OF MT. HEALTHY
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Mt. Healthy
Hamilton County
Perry & McMakin Ave.
Mt. Healthy, Ohio 45231

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Mt. Healthy, Hamilton County, Ohio (the City), as of and for the years ended December 31, 1998 and 1997 as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Mt. Healthy, Hamilton County, Ohio, as of December 31, 1998 and 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

As more fully disclosed in Note 17 to the 1997 general-purpose financial statements, the City changed its basis of accounting to conform with generally accepted accounting principles. As more fully disclosed in Note 17 to the 1998 general-purpose financial statements, the City changed its method of accounting for its deferred compensation plan.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

April 7, 2000

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City of Mt. Healthy
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Investments	$468,514	$13,763	-	$31,594
Receivables:				
Property Taxes	225,337	132,502	-	-
Income Taxes	87,911	-	-	-
Due from other Funds	8,626	-	-	-
Due from Other Governments	8,162	15,742	-	-
Fixed Assets (net where applicable, of accumulated depreciation)	-	-	-	-
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	$798,550	$162,007	$0	$31,594
Liabilities ,Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	$46,431	$1,594	-	-
Accrued Salaries Payable	22,486	-	-	-
Due to Other Funds	-	-	2,143	-
Due to Other Governments	-	-	-	-
Deferred Revenue	225,337	132,502	-	-
Other Accrued Liabilities	26,091	-	-	-
Compensated Absences Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	320,345	134,096	2,143	0
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	24,622	6,820	-	1,619
Unreserved: Undesignated (Deficit)	453,583	21,091	(2,143)	29,975
Total Fund Equity and Other Credits	478,205	27,911	(2,143)	31,594
Total Liabilities, Fund Equity, and Other Credits	$798,550	$162,007	$0	$31,594

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Types	Account Groups		
Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$231,955	-	$0	$745,826
-	-	-	357,839
-	-	-	87,911
-	-	-	8,626
-	-	-	23,904
-	$1,871,825	-	1,871,825
-	-	1,111,304	1,111,304
$231,955	$1,871,825	$1,111,304	$4,207,235
-	-	-	$48,025
-	-	-	22,486
$6,483	-	-	8,626
1,905	-	-	1,905
-	-	-	357,839
-	-	-	26,091
-	-	123,417	123,417
-	-	987,887	987,887
8,388	0	1,111,304	1,576,276
-	1,871,825	-	1,871,825
509	-	-	33,570
223,058	-	-	725,564
223,567	1,871,825	0	2,630,959
$231,955	$1,871,825	$1,111,304	$4,207,235

City of Mt. Healthy
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1998

	Governmental Fund Types				Fiduciary Fund Types	(Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Memorandum Only)
Revenues:						
Property Taxes	$260,551	$153,648	-	-	-	$414,199
Income Taxes	1,003,596	-	-	-	-	1,003,596
Intergovernmental	376,148	266,592	-	89,308	-	732,048
Fines, Licenses and Permits	75,614	-	-	-	-	75,614
Charges for Services	308,360	-	-	-	-	308,360
Interest	11,428	-	-	-	19,995	31,423
Special Assessment	-	4,549	-	-	-	4,549
Miscellaneous	145,613	1,555	-	-	-	147,168
Total Revenues	2,181,310	426,344	0	89,308	19,995	2,716,957
Expenditures:						
Current:						
Security of Persons and Property	914,450	110,687	-	-	-	1,025,137
Transportation	-	369,624	-	91,386	-	461,010
Utilities	272,235	-	-	-	-	272,235
Leisure Time Activities	207,854	12,735	-	-	-	220,589
Community Environment	176,014	-	-	-	-	176,014
General Government	468,474	-	-	-	-	468,474
Capital Outlay	-	-	-	3,274	-	3,274
Debt Service:						
Principal Retirement	-	82,449	8,000	-	15,000	105,449
Interest and Fiscal Charges	21,944	10,087	14,232	-	14,572	60,835
Total Expenditures	2,060,971	585,582	22,232	94,660	29,572	2,793,017
Excess of Revenues Over (Under) Expenditures	120,339	(159,238)	(22,232)	(5,352)	(9,577)	(76,060)
Other Financing Sources (Uses):						
Operating Transfers-In	-	122,362	22,232	25,000	0	169,594
Operating Transfers-Out	(142,232)	(27,362)	-	-	0	(169,594)
Total Other Financing Sources (Uses)	(142,232)	95,000	22,232	25,000	0	0
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(21,893)	(64,238)	0	19,648	(9,577)	(76,060)
Fund Balances (Deficit) at Beginning of Year	500,098	92,149	(2,143)	11,946	233,144	835,194
Fund Balances at End of Year	$478,205	$27,911	($2,143)	$31,594	$223,567	$759,134

See Accompanying Notes to the General Purpose Financial Statements

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City of Mt. Healthy
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	$269,600	$261,320	($8,280)	$153,000	$153,648	$648
Income Taxes	951,000	1,006,787	55,787	-	-	0
Intergovernmental	357,800	375,981	18,181	350,700	267,751	(82,949)
Fines, Licenses and Permits	62,500	74,387	11,887	-	-	0
Special Assessments	-	-	0	4,000	4,549	549
Charges for Service	345,400	311,206	(34,194)	-	-	0
Interest Earnings	14,739	11,428	(3,311)	-	-	0
Miscellaneous	54,300	145,612	91,312	2,139	1,555	(584)
Total Revenues	2,055,339	2,186,721	131,382	509,839	427,503	(82,336)
Expenditures:						
Current:						
Security of Persons and Property	914,571	913,689	882	110,850	110,892	(42)
Transportation	-	-	0	-	369,694	(369,694)
Public Health Services	-	-	0	-	-	0
Leisure Time Activities	206,700	207,822	(1,122)	100,000	20,677	79,323
Community Environment	187,500	177,796	9,704	414,556	-	414,556
General Government	494,760	477,166	17,594	-	-	0
Utilities	272,900	262,098	10,802	-	-	0
Capital Outlay	-	-	0	-	-	0
Debt Service:						
Principal Retirement	-	-	0	82,449	82,449	0
Interest and Fiscal Charges	21,944	21,944	0	10,089	10,087	2
Total Expenditures	2,098,375	2,060,515	37,860	717,944	593,799	124,145
Excess of Revenues Over (Under) Expenditures	(43,036)	126,206	169,242	(208,105)	(166,296)	41,809
Other Financing Sources (Uses):						
Proceeds of Bonds	-	-	0	-	-	0
Proceeds of Notes	-	-	0	-	-	0
Operating Transfers - In	-	-	0	174,361	122,362	(51,999)
Operating Transfers - Out	(216,176)	(142,232)	73,944	-	(27,362)	(27,362)
Total Other Financing Sources (Uses)	(216,176)	(142,232)	73,944	174,361	95,000	(79,361)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(259,212)	(16,026)	243,186	(33,744)	(71,296)	(37,552)
Fund Balances at Beginning of Year	449,115	449,115	0	77,117	77,117	0
Fund Balances at End of Year	$189,903	$433,089	$243,186	$43,373	$5,821	($37,552)

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
-	-	$0	-	-	$0	-	-	$0
-	-	0	-	-	0	-	-	0
-	-	0	100,000	89,308	(10,692)	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	32,500	19,995	(12,505)
-	-	0	-	-	0	-	-	0
0	0	0	100,000	89,308	(10,692)	32,500	19,995	(12,505)
-	-	0	-	-	0	-	-	0
-	-	0	125,000	93,005	31,995	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	11,940	(11,940)	-	-	0
8,000	8,000	0	-	-	0	15,000	15,000	0
14,232	14,232	0	-	-	0	17,500	15,082	2,418
22,232	22,232	0	125,000	104,945	20,055	32,500	30,082	2,418
(22,232)	(22,232)	0	(25,000)	(15,637)	9,363	0	(10,087)	(10,087)
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
22,232	22,232	0	102,478	25,000	(77,478)	-	-	0
-	-	0	-	-	0	-	-	0
22,232	22,232	0	102,478	25,000	(77,478)	0	0	0
0	0	0	77,478	9,363	(68,115)	0	(10,087)	(10,087)
(2,143)	(2,143)	0	20,612	20,612	0	0	233,144	0
($2,143)	($2,143)	$0	$98,090	$29,975	($68,115)	$0	$223,057	($10,087)

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NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Mt. Healthy, Ohio (the "City"), was incorporated in 1817 as a body politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a publicly-elected eight-member Council. The City provides general governmental services, recreation and park operations, and public safety (police and fire services), and public works (maintenance and construction of public improvements).

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

Reporting Entity

The reporting entity is comprised of the primary government. The primary government of the City consists of all funds and departments that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization. The City does not have any component units included in its reporting entity.

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

The City is associated with one organization which is defined as a jointly governed organization, the Mount Healthy Community Improvement Corporation. This organization is presented in Note 15 of the General-Purpose Financial Statements.

Basis of Presentation - Fund Accounting

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

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

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

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Governmental Fund Types

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

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to the expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal, interest and related costs.

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The City's agency fund is purely custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all general fixed assets of the City.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

All governmental fund types, the Expendable Trust Fund and Agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty days after year end.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer assessed income tax, interest, state-levied locally shared taxes (including gasoline tax), franchise taxes, and charges for services.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current property taxes which are intended to finance fiscal year 1999 operations and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminable, have been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period employees earn them. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimate resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level (personal services and other expenditures) within each department. Amount shown in the budgetary financial statements represent the final amounts appropriated for 1998, including all supplemental appropriations and modifications.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

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

The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested for 1998.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified with the approval of City Council. During the year several supplemental appropriation measures were passed. The budget figures reported on the budgetary statements represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and need not be reappropriated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity in Pooled Cash and Investments

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet.

During 1998, investments were limited to government securities. Investments are reported at fair value which is based on quoted market prices.

Interest income is distributed to the funds according to statutory requirements. Interest revenue earned during 1998 totaled $31,423.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. The City maintains a capitalization threshold of $500 dollars.

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated.

The fixed assets value other than land, land improvement, and infrastructure items were initially determined at June 30, 1998, by an independent appraisal company.

Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements, shared revenues, and grants awarded on a non-reimbursement basis are recorded as revenues when measurable and available. Reimbursable grants are recorded as receivables and revenues when the related expenditures are made.

Compensated Absences

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

Vacation leave benefits are accrued using the vesting method. All credited vacation must be used prior to the employee's next anniversary date or it will be forfeited. Employees may carryover no more than ten (10) vacation days to the next year. Upon separation from the City, the employee or his/her estate is paid for accumulated unused vacation leave balance. The City records a liability for accumulated unused vacation time when earned for all employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on a full-time employee, who works forty (40) or more hours per week, and accumulates sick leave at the rate of fifteen (15) days per year in active status. The City has no limit on sick leave accumulation for its employees. The City records a liability for accumulated unused sick leave for employees after ten years of current service with the City.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. At year end there were no material amounts that were current.

At December 31, 1998, the total liability of the City for compensated absences was $123,417.

Accrued Liabilities and Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than 30 days after year end are considered not to have been paid with current available financial resources. Bonds are recognized as a liability of the general long-term obligations account group until due. At year end there were no material amounts that were current.

Under Ohio law, a Debt Retirement Fund may be created and used for the payment of all principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the special revenue funds and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the Debt Service Fund.

Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The City had no residual equity transfers during 1998.

Reservations of Fund Balance

The City reserves fund balances for amounts that are legally segregated for a specific purpose or which are not available for current appropriation or expenditure because of their non-monetary nature or lack of liquidity. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance has been reserved for encumbrances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Total Columns on General Purpose Financial Statements

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

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

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

3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	$ (21,893)	$(64,238)	$ 0	$ 19,648	$(9,577)
Adjustments:					
Revenue Accruals	5,411	1,159	0	0	0
Expenditure Accruals	(37,112)	(16,159)	0	(11,904)	(1,020)
Encumbrances	37,568	7,942	0	1,619	510
Budget Basis	$ 16,026	$(71,296)	$ 0	$ 9,363	$(10,087)

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified into three categories as allowed by the Ohio Revised Code.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. Negotiable direct obligations of the U.S. or obligations issued by Federal agencies the principal and interest of which are unconditionally guaranteed by the United States;

2. Obligations of Federal agencies and instrumentalities, whether or not they are guaranteed by the United States, including, but not limited to, obligations of the Government National Mortgage Association (GNMA), Small Business Administration (SBA), Federal Housing Administration (FHA), General Services Administration (GSA), Federal National Mortgage Association, (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Student Loan Marketing Association (SLMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Banks (FFCB), and Export Import Bank;

3. Non-negotiable and negotiable interest bearing time certificates of deposit and saving accounts;

4. Money market fund portfolios consisting of the items listed in 1 to 3; and

5. The State Treasurer's investment pool (STAROhio)

6. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least tow percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

7. Bonds and other obligations of the State of Ohio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

At year end, the carrying amount of the City's deposits was $553,955 and the bank balance was $596,106. Of the bank balance, $200,000 was covered by federal deposit insurance. The remaining amount, $387,979, was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust departments but not in the City's name, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3, "Deposits with Financial Instruments, Investments and Reverse Repurchase Agreements," requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 1	Category 2	Fair Value/ Carrying Value
U.S. Treasury Notes	0	182,944	182,944
U.S. Treasury Securities-stripped interest	0	8,927	8,927
Total	$0	$191,871	$191,871

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Real property taxes (other than public utility) collected during 1998 were levied after October 1, 1997 assessed value as of January 1, 1997, the lien date. Assessed values are established by the County Auditor 35 percent of appraised market value. All property is required to be reappraised every six years. The last reevaluation was completed in 1993. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its assessed value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30 with the remainder payable by September 20.

NOTE 5 - PROPERTY TAXES (continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits in February and August of each year the City's portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 1998, was $7.11 per $1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based was $67,766,710.

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1998. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1998 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 - INCOME TAX

The City levies an income tax of 1.50 percent on substantially all earned income arising from employment, residency, or business activities inside the City. Employers within the City are required to withhold income tax on employee compensation and remit it to the City at least quarterly. Corporations and certain individual taxpayers are required to pay quarterly estimates.

As of December 31, 1998, the City has accrued $87,911 as revenue for income taxes to be remitted with in thirty days of year-end.

NOTE 7 - INTERGOVERNMENTAL RECEIVABLES

A summary of intergovernmental receivables follows:

General Fund	
Local Government fund distribution	$ 8,162
Special Revenue Funds	
Gasoline Tax and Auto Registration	15,742
Total All Funds	$23,904

NOTE 8 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 1998, were as follows:

Asset Category	Balance at December 31, 1997	Additions	Deletions	Balance at December 31, 1998
Land	$282,200	$ 0	$0	$282,200
Buildings	205,600	50,000	0	255,600
Equipment & Vehicles	1,225,872	108,153	0	1,334,025
Totals	$1,713,672	$158,153	$0	$1,871,825

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, except full-time uniformed police officers and full-time firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1998, 1997 and 1996 were $67,800, $62,732, and $60,157, respectively. $1,772 represents the unpaid contribution for fiscal year 1998, and is recorded as an accrued wages liability within the respective funds.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code.

The Fund issues a publicly available financial report that includes financial information and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5614

Police are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The City's required contributions to PFDPF for the years ended December 31, 1998, 1997, and 1996 were $89,209, $88,303, and $80,404, respectively. $22,486 represents the unpaid contribution for fiscal year 1998, and is recorded as an accrued wages liability within the respective funds.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5.11 percent was the portion that was used to fund health care for the year 1998.

For 1998, benefits were funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were $440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were $9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPED. Under the new method, effective January 1, 1998, employer contributions equal to 4.2 percent of member covered payroll. Are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Police and Firemen’s Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such a person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12.* The Ohio Revised Code provides the authority allowing the Police and Firemen’s Disability and Pension Fund’s Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen’s Disability and Pension Fund shall be included in the employer’s contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which 6.5 percent of covered payroll is applied to postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, was 11,239 for police and 9,025 for firefighters. The City's actual contributions for 1998 that were used to fund postemployment benefits were $29,438 for police. The Fund's total health care expenses for the year ended December 31, 1997, (the latest information available) were $76,459,832.

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 1998 were as follows:

	Balance at December 31, 1997	Increases	Decreases	Balance at December 31, 1998
General Obligation Bonds:				
5.20 % Various Purpose Bonds/Drive-In	$ 250,000	$ 0	$ 0	$ 250,000
5.20% Fire Apparatus Bonds	214,336	0	82,449	131,887
5.20% Building Improvement	418,000	0	0	418,000
4.75% Perry Street Property Acquisition	16,000	0	8,000	8,000
7.5% Valley Auto Theater	195,000		15,000	180,000
Total General Obligation Bonds	1,093,336	0	105,449	987,887
Compensated Absences Payable	115,308	8,109	0	123,417
TOTAL - General Long-Term Obligations	$ 1,208,644	$ 8,109	$ 105,449	$1,111,304

The City issued three bonds in 1997, a various purpose bond for a period of ten years, a fire apparatus bond for a period of three years, and a building improvement bond for a period of ten years. Interest is paid semi-annually on each bond issue. The bond issues will be repaid from monies received in the Compton Road Property Acquisition debt service fund, Safety Tax special revenue fund, and the General fund, respectively.

The City issued Perry Street property acquisition bond in 1994 for a period of five years. Interest is paid annually. The bond will be repaid from monies received from Perry Street property acquisition debt service fund.

The City issued Valley Auto Theater bond in 1990 for a period of twenty years. Interest is paid semi-annually. The bond will be repaid from monies received from Compton Road Escrow expendable trust fund.

As of December 31, 1998 the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $6,127,618 and the unvoted legal debt margin was $3,727,169.

Compensated absences will be paid from the fund from which the employee is paid.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 1998, were:

	Various Purpose Bond	Fire Apparatus Loan	Building Improvement Bond	Perry Street Property	Valley Auto Theater	Total
1999	12,792	92,536	21,944	8,360	27,938	163,570
2000	27,584	46,268	47,319		26,813	147,984
2001	42,376		72,694		25,688	140,758
2002	42,376		72,694		24,563	139,633
2003	42,376		72,694		24,563	139,633
Thereafter	148,316		254,428		131,437	534,181
Total	315,820	138,804	541,773	8,360	261,002	1,265,759

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables which occurred during 1998 were as follows:

Fund:	Receivables	Payables
General	$ 6,483	$ 0
Mayor's Court	0	6,483
TOTAL	$ 6,483	$ 6,483

NOTE 13 - INTERFUND TRANSFERS

Operating transfers represent transfers of resources from a fund receiving revenue to a fund through which those resources will be expended. A list of 1998 interfund transfers were as follows:

Fund:	Transfers - In	Transfers - Out
General	$ 0	$ 142,232
Auto Registration	0	27,361
Street, Construction, Maintenance & Repair	97,362	0
Special Recreation	25,000	0
Hamilton Avenue Improvement	25,000	
Compton Road Property Acquisition	12,792	0
Perry Street Property Acquisition	9,400	0
TOTAL	$ 169,594	$ 169,594

NOTE 14 - RISK MANAGEMENT

The City of Mount Healthy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and other liability claims. The City purchases commercial coverage of all risks of loss. The coverage has a 2,000,000 limit. Settled claims form these risks have not exceeded the purchased coverage for any of the past three years. The City also purchases standard group health insurance for it's full-time employees.

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

The Mount Healthy Community Improvement Corporation was established in January 1990 for the purpose of acquiring and developing real property located in the City of Mount Healthy. The City issued a general obligation bond in the amount of $300,000 in June 1990. The bond proceeds were used by the Community Improvement Corporation to purchase property on behalf of the City. The Board of the Community Improvement Corporation is comprised of two members of Council, four City officials, and three residents of the City. A separate financial report can be obtained by writing to Mt. Healthy Community Improvement Corporation at 7700 Perry Street, Mt. Healthy, Ohio 45231.

NOTE 16 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 1998, to December 31, 1998, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

Implementation of GASB Statement No. 32

The Internal Revenue Code previously required that Section 457 deferred compensation plan assets remain in the property of the employer government until available to the employee or beneficiary. Under these regulations, plan assets were recorded in the City's deferred compensation agency fund.

Recent changes to the Internal Revenue Code required Section 457 plan assets to be held in trust for the exclusive benefit of the employees. These plans must establish trust agreements prior to the January 1, 1999. During 1998, the Ohio Public Employees Deferred Compensation Program (the "Plan") implemented a Trust agreement to hold all Plan assets for the employer, whenever contributed, for the exclusive benefit of participants and their beneficiaries. Accordingly, the City has implemented GASB Statement No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"* which requires that such assets held in trust, not be reflected on the government's financial statements. In as much as the City no longer has an accounting fiduciary responsibility for the deferred compensation assets, the beginning balance of the agency funds has been restated to show the reduction of $339,645 representing the balance of deferred compensation at December 31, 1997.

The adjustment resulted in the following changes to the agency funds asset/liability balances at December 31, 1997:

Agency Fund:

Asset/Liability Balance - December 31, 1997 (as reported)	$ 579,256
Adjustment due to change in accounting principle	339,645
Asset/Liability Balance - December 31, 1997 (as restated)	239,611

NOTE 18 - COMPLIANCE AND ACCOUNTABILITY

Budgetary

There were deficit cash balances in the Safety Tax special revenue fund of $30,261, Compton Road Property Acquisition debt service fund of $2,143, and the Building Renovation/Loan Consolidation capital project fund of $19,272 at December 31, 1998.

NOTE 18 - COMPLIANCE AND ACCOUNTABILITY (continued)

The General fund had total appropriations in excess of total estimated resources.

The Building Renovation/Loan Consolidation fund had total estimated receipts which exceeded the total actual resources.

The Safety Tax, Auto Registration, and Building Renovation/Loan Consolidation funds had total expenditures which exceeded total appropriations.

The City did not certify the availability of funds for certain commitments, and those commitments were not properly encumbered.

Investments

City Council has not approved an investment policy as required by Ohio Rev. Code, Section 134.14. The City Auditor did not complete the required training to invest in securities other than certificates of deposit or STAROhio. Investments held in U.S. Treasury securities with stripped interest were ineligible securities for the City under Chapter 135 Ohio Revised Code.

Mayor's Court

A cashbook showing all receipts and disbursements of Mayor's Court was not maintain for calendar year 1998. Money due to the State and to the City were not distributed in the time period required by Ohio Rev. Code, Sections 733.40.

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City of Mt. Healthy
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1997

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Investments	$449,114	$77,117	-	$20,612
Receivables:				
Accounts	2,845	-	-	-
Property Taxes	228,304	134,055	-	-
Income Taxes	91,029	-	-	-
Due from other Funds	5,256	-	-	-
Due from Other Governments	8,837	16,901	-	-
Fixed Assets (net where applicable, of accumulated depreciation)	-	-	-	-
Restricted Cash:				
Funds on Deposit, Deferred Compensation	-	-	-	-
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	$785,385	$228,073	$0	$20,612
Liabilities ,Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	$30,253	$1,869	-	8,666
Accrued Salaries Payable	25,590	-	-	-
Due to Other Funds	-	-	2,143	-
Due to Other Governments	-	-	-	-
Deferred Revenue	228,304	134,055	-	-
Other Accured Liabilities	1,140	-	-	-
Compensated Absences Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Deferred Compensation Payable	-	-	-	-
Total Liabilities	285,287	135,924	2,143	8,666
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	26,815	1,871	-	69
Unreserved: Undesignated (Deficit)	473,283	90,278	(2,143)	11,877
Total Fund Equity and Other Credits	500,098	92,149	(2,143)	11,946
Total Liabilities,Fund Equity, and Other Credits	$785,385	$228,073	$0	$20,612

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Types	Account Groups		
Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$239,611	-	-	$786,454
-	-	-	2,845
-	-	-	362,359
-	-	-	91,029
-	-	-	5,256
-	-	-	25,738
-	$1,713,672	-	1,713,672
339,645	-	-	339,645
-	-	$1,208,644	1,208,644
$579,256	$1,713,672	$1,208,644	$4,535,642
-	-	-	$40,788
-	-	-	25,590
$5,256	-	-	7,399
1,211	-	-	1,211
-	-	-	362,359
-	-	0	1,140
-	-	115,308	115,308
-	-	1,093,336	1,093,336
339,645	-	-	339,645
346,112	0	1,208,644	1,986,776
-	1,713,672	-	1,713,672
-	-	-	28,755
233,144	-	-	806,439
233,144	1,713,672	0	2,548,866
$579,256	$1,713,672	$1,208,644	$4,535,642

City of Mt. Healthy
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1997

	Governmental Fund Types				Fiduciary Fund Types	(Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Memorandum Only)
Revenues:						
Property Taxes	$214,126	$152,388	-	-	-	$366,514
Income Taxes	975,245	-	-	-	-	975,245
Intergovernmental	355,439	288,561	-	640,473	-	1,284,473
Fines, Licenses and Permits	74,358	-	-	-	-	74,358
Charges for Services	295,524	-	-	-	-	295,524
Interest	18,599	-	-	-	19,513	38,112
Special Assessment	-	4,561	-	-	-	4,561
Miscellaneous	55,938	1,760	-	375	-	58,073
Total Revenues	1,989,229	447,270	0	640,848	19,513	3,096,860
Expenditures:						
Current:						
Security of Persons and Property	832,914	442,972	-	-	-	1,275,886
Transportation	-	255,307	-	-	-	255,307
Utilities	227,629	-	-	-	-	227,629
Leisure Time Activities	127,641	39,192	-	-	-	166,833
Community Environment	56,916	-	-	-	-	56,916
General Government	473,526	-	-	2,307	1,020	476,853
Capital Outlay		-	-	1,067,995	-	1,067,995
Debt Service:						
Principal Retirement	-	39,664	258,000	-	15,000	312,664
Interest and Fiscal Charges	17,368	6,604	6,754	-	16,607	47,333
Total Expenditures	1,735,994	783,739	264,754	1,070,302	32,627	3,887,416
Excess of Revenues Over (Under) Expenditures	253,235	(336,469)	(264,754)	(429,454)	(13,114)	(790,556)
Other Financing Sources (Uses):						
Proceeds of Bonds	-	254,000	250,000	418,000	-	922,000
Inception of Capital Lease	-	-	-	-	-	0
Operating Transfers-In	-	134,200	5,425	17,400	-	157,025
Operating Transfers-Out	(87,025)	(70,000)	-	-	-	(157,025)
Total Other Financing Sources (Uses)	(87,025)	318,200	255,425	435,400	0	922,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	166,210	(18,269)	(9,329)	5,946	(13,114)	131,444
Fund Balances (Deficit) at Beginning of Year (Restated)	333,888	110,418	7,186	6,000	246,258	703,750
Fund Balances at End of Year	$500,098	$92,149	($2,143)	$11,946	$233,144	$835,194

See Accompanying Notes to the General Purpose Financial Statements

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City of Mt. Healthy
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1997

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	$190,900	$259,304	$68,404	$130,000	$152,388	$22,388
Income Taxes	870,500	895,191	24,691	-	-	0
Intergovernmental	273,550	356,847	83,297	297,360	278,696	(18,664)
Fines, Licenses and Permits	87,520	75,274	(12,246)	-	-	0
Special Assessments	-	-	0	3,786	4,561	775
Charges for Service	310,800	303,456	(7,344)	-	-	0
Interest Earnings	12,000	18,599	6,599	-	-	0
Miscellaneous	96,730	55,851	(40,879)	1,000	1,760	760
Total Revenues	1,842,000	1,964,522	122,522	432,146	437,405	5,259
Expenditures:						
Current:						
Security of Persons and Property	773,526	831,977	(58,451)	424,390	442,767	(18,377)
Transportation	-	-	0	324,103	258,039	66,064
Public Health Services	-	-	0	-	-	0
Leisure Time Activities	148,285	148,285	0	34,600	39,192	(4,592)
Community Environment	66,750	66,750	0	-	-	0
General Government	458,767	488,773	(30,006)	-	-	0
Utilities	228,500	262,863	(34,363)	-	-	0
Capital Outlay	-	-	0	-	-	0
Debt Service:						
Principal Retirement	-	-	0	39,665	39,664	1
Interest and Fiscal Charges	-	17,368	(17,368)	6,604	6,604	0
Total Expenditures	1,675,828	1,816,016	(140,188)	829,362	786,266	43,096
Excess of Revenues Over (Under) Expenditures	166,172	148,506	(17,666)	(397,216)	(348,861)	48,355
Other Financing Sources (Uses):						
Proceeds of Bonds	-	-	0	254,000	254,000	0
Proceeds of Notes	-	-	0	-	-	0
Operating Transfers - In	-	-	0	134,200	134,200	0
Operating Transfers - Out	(171,400)	(87,025)	84,375	(75,000)	(70,000)	5,000
Total Other Financing Sources (Uses)	(171,400)	(87,025)	84,375	313,200	318,200	5,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,228)	61,481	66,709	(84,016)	(30,661)	53,355
Fund Balances at Beginning of Year	335,796	335,796	0	105,099	105,099	0
Fund Balances at End of Year	$330,568	$397,277	$66,709	$21,083	$74,438	$53,355

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
-	-	$0	-	-	$0	-	-	$0
-	-	0	-	-	0	-	-	0
-	-	0	-	640,473	640,473	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	12,000	19,513	7,513
-	-	0	-	375	375	-	-	0
0	0	0	0	640,848	640,848	12,000	19,513	7,513
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	-	0	-	-	0
-	-	0	-	2,307	(2,307)	-	1,020	(1,020)
-	-	0	-	-	0	-	-	0
-	-	0	707,268	1,068,064	(360,796)	-	-	0
-	258,000	(258,000)	-	-	0	-	15,000	(15,000)
-	6,754	(6,754)	-	-	0	-	16,607	(16,607)
0	264,754	(264,754)	707,268	1,070,371	(363,103)	0	32,627	(32,627)
0	(264,754)	(264,754)	(707,268)	(429,523)	277,745	12,000	(13,114)	(25,114)
668,000	250,000	(418,000)	-	418,000	418,000	-	-	0
-	-	0	-	-	0	-	-	0
-	5,425	5,425	-	17,400	17,400	-	-	0
-	-	0	-	-	0	-	-	0
668,000	255,425	(412,575)	0	435,400	435,400	0	0	0
668,000	(9,329)	(677,329)	(707,268)	5,877	713,145	12,000	(13,114)	(25,114)
7,186	7,186	0	6,000	6,000	0	246,258	246,258	0
$675,186	($2,143)	($677,329)	($701,268)	$11,877	$713,145	$258,258	$233,144	($25,114)

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NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Mt. Healthy, Ohio (the "City"), was incorporated in 1817 as a body politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a publicly-elected eight-member Council. The City provides general governmental services, recreation and park operations, and public safety (police and fire services), and public works (maintenance and construction of public improvements).

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

Reporting Entity

The reporting entity is comprised of the primary government. The primary government of the City consists of all funds and departments that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization. The City does not have any component units included in its reporting entity.

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

The City is associated with one organization which is defined as a jointly governed organization, the Mount Healthy Community Improvement Corporation. This organization is presented in Note 16 of the General-Purpose Financial Statements.

Basis of Presentation - Fund Accounting

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

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

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

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Governmental Fund Types

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

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to the expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal, interest and related costs.

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City’s fiduciary funds include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The City’s agency fund is purely custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all general fixed assets of the City.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

All governmental fund types, the Expendable Trust Fund and Agency Funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer assessed income tax, interest, state-levied locally shared taxes (including gasoline tax), franchise taxes, and charges for services.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current property taxes which are intended to finance fiscal year 1999 operations and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminable, have been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period employees earn them. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimate resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level (personal services and other expenditures) within each department. Amount shown in the budgetary financial statements represent the final amounts appropriated for 1997, including all supplemental appropriations and modifications.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

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

The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested for 1997.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified with the approval of City Council. During the year several supplemental appropriation measures were passed. The budget figures report on budgetary statements represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and need not be reappropriated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity in Pooled Cash and Investments

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet.

During 1997, investments were limited to government securities. Investments are reported at fair value which is based on quoted market prices. Interest income is distributed to the funds according to statutory requirements. Interest revenue earned during 1997 totaled $38,112.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. The City maintains a capitalization threshold of $500 dollars.

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated.

The fixed assets value other than land, land improvement, and infrastructure items were initially determined at June 30, 1998, by an independent appraisal company. Acquisition amounts for assets report for calendar year 1997, were estimated with the use of a back trend modifier. Land also was valued backward to estimated acquisition dates.

Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements, shared revenues, and grants awarded on a non-reimbursement basis are recorded as revenues when measurable and available. Reimbursable grants are recorded as receivables and revenues when the related expenditures are made.

Compensated Absences

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vacation leave benefits are accrued using the vesting method. All credited vacation must be used prior to the employee's next anniversary date or it will be forfeited. Employees may carryover no more than ten (10) vacation days to the next year. Upon separation from the City, the employee or his/her estate is paid for accumulated unused vacation leave balance. The City records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on a full -time employee, who works forty (40) or more hours per week, and accumulates sick leave at the rate of fifteen (15) days per year in active status. The City has no limit on sick leave accumulation for its employees. The City records a liability for accumulated unused sick leave for employees after ten years of current service with the City.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. At year end there were no material amounts that were current.

At December 31, 1997, the total liability of the City for compensated absences was $115,308.

Accrued Liabilities and Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than 31 days after year end are considered not to have been paid with current available financial resources. Bonds are recognized as a liability of the general long-term obligations account group until due. At year end there were no material amounts that were current.

Under Ohio law, a Debt Retirement Fund may be created and used for the payment of all principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the special revenue funds and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the Debt Service Fund.

Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The City had no residual equity transfers during 1997.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reservations of Fund Balance

The City reserves fund balances for amounts that are legally segregated for a specific purpose or which are not available for current appropriation or expenditure because of their non-monetary nature or lack of liquidity. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance has been reserved for encumbrances.

Total Columns on General Purpose Financial Statements

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

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

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

3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	$166,210	$(18,269)	$(9,329)	$5,946	$(13,114)
Adjustments:					
Revenue Accruals	(24,707)	(9,865)	0	0	0
Expenditure Accruals	(131,773)	(5,206)	0	(8,804)	0
Encumbrances	51,751	2,679	0	8,735	0
Budget Basis	$ 61,481	$(30,661)	$(9,329)	$5,877	$(13,114)

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified into three categories as allowed by the Ohio Revised Code.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. Negotiable direct obligations of the U.S. or obligations issued by Federal agencies the principal and interest of which are unconditionally guaranteed by the United States;

2. Obligations of Federal agencies and instrumentalities, whether or not they are guaranteed by the United States, including, but not limited to, obligations of the Government National Mortgage Association (GNMA), Small Business Administration (SBA), Federal Housing Administration (FHA), General Services Administration (GSA), Federal National Mortgage Association, (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Student Loan Marketing Association (SLMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Banks (FFCB), and Export Import Bank;

3. Non-negotiable and negotiable interest bearing time certificates of deposit and saving accounts;

4. Money market fund portfolios consisting of the items listed in 1 to 3; and

5. The State Treasurer's investment pool (STAROhio)

6. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least tow percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

7. Bonds and other obligations of the State of Ohio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

At year end, the carrying amount of the City's deposits was $582,658 and the bank balance was $671,378. Of the bank balance, $185,444 was covered by federal deposit insurance. The remaining amount, $485,934 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust departments but not in the City's name, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3, "Deposits with Financial Instruments, Investments and Reverse Repurchase Agreements," requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 1	Category 2	Unclassified	Fair Value/ Carrying Value
Deferred Compensation			$339,645	$339,645
U.S. Treasury Notes	0	182,944	0	182,944
U.S. Treasury Securities-stripped interest	0	18,709	0	18,709
Total	$0	$201,653	$339,645	$541,298

The City's investment in Deferred compensation is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Real property taxes (other than public utility) collected during 1997 were levied after October 1, 1996 assessed value as of January 1, 1996, the lien date. Assessed values are established by the County Auditor 35 percent of appraised market value. All property is required to be reappraised every six years. The last reevaluation was completed in 1993. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its assessed value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30 with the remainder payable by September 20.

NOTE 5 - PROPERTY TAXES (continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits in February and August of each year the City's portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 1997, was $7.11 per $1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 1997 property tax receipts were based was $67,955,640.

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1997. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1997 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 - INCOME TAX

The City levies an income tax of 1.50 percent on substantially all earned income arising from employment, residency, or business activities inside the City. Employers within the City are required to withhold income tax on employee compensation and remit it to the City at least quarterly. Corporations and certain individual taxpayers are required to pay quarterly estimates.

As of December 31, 1997, the City has accrued $91,029 as revenue for income taxes to be remitted with in thirty days of year-end.

NOTE 7 - INTERGOVERNMENTAL RECEIVABLES

A summary of intergovernmental receivables follows:

General Fund	
Local Government fund distribution	$8,837
Special Revenue Funds	
Gasoline Tax and Auto Registration	16,901
Total All Funds	$25,738

NOTE 8 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 1997, were as follows:

Asset Category	Balance at December 31, 1996	Additions	Deletions	Balance at December 31, 1998
Land	$230,600	$51,600	$0	$282,200
Buildings	205,600	0	0	205,600
Equipment & Vehicles	723,288	502,584	0	1,225,872
Totals	$1,159,488	$554,184	$0	$1,713,672

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, except full-time uniformed police officers and full-time firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1997, 1996, and 1995 were $62,732, $60,157, and $57,195, respectively. $1,772 represents the unpaid contribution for fiscal year 1997, and is recorded as an accrued wages liability within the respective funds.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code.

The Fund issues a publicly available financial report that includes financial information and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5614

Police are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The City's required contributions to PFDPF for the years ended December 31, 1997, 1996, and 1995 were $88,303, $80,404, and $73,166, respectively. $22, 189 represents the unpaid contribution for fiscal year 1997, and is recorded as an accrued wages liability within the respective funds.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 1997 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5.11 percent was the portion that was used to fund health care for the year 1997.

For 1997, benefits were funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1997, OPEB expenditures made by PERS were $393,559,827. As of December 31, 1997, the unaudited estimated net assets available for future OPEB payments were $8,292,570,002. At December 31, 1997, the total number of benefit recipients eligible for OPEB through PERS was 113,906.

B. Police and Firemen’s Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such a person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12.* The Ohio Revised Code provides the authority allowing the Police and Firemen’s Disability and Pension Fund’s Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen’s Disability and Pension Fund shall be included in the employer’s contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which 6.5 percent of covered payroll is applied to postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1997, was 17,493 for police and 14,210 for firefighters. The City's actual contributions for 1997 that were used to fund postemployment benefits were $29,405 for police. The Fund's total health care expenses for the year ended December 31, 1997, (the latest information available) were $71,646,335.

NOTE 11 - DEFERRED COMPENSATION PLANS

Eligible City employees and elected officials participate in a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

The participant’s interest in the plan is that of a general creditor of the City. The market value of amounts on deposit with the agents administering the plans for the City’s participants at December 31,1997 was $339,645. An agency fund has been established to account for these monies as prescribed by Governmental

NOTE 11 - DEFERRED COMPENSATION PLANS (continued)

Account Standards Board statement No.2. “Financial Report of Deferred Compensation Plans adopted under the Provisions of Internal Revenue Code Section 457.

City of Mt. Healthy employee are given the option of joining the plan. The employees contributions are forwarded at their instruction by the City to the plan administrators. The administrators have reported that deferred compensation funds are invested in common stocks, money market funds, corporate and government bonds, and bank certificates of deposit. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, properties, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to provisions of benefits under the plan), subject only to the claims of the City’s general creditors. Participants’ rights under the plan are equal to the fair value of the deferred account for each participant.

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 1997 were as follows:

	Balance at December 31, 1996	Increases	Decreases	Balance at December 31, 1997
General Obligation Bonds:				
5.20 % Various Purpose Bonds/Drive-In	0	250,000	0	250,000
5.20% Fire Apparatus Bonds	0	254,000	39,664	214,336
5.20% Building Improvement	0	418,000	0	418,000
4.75% Perry Street Property Acquisition	24,000	0	8,000	16,000
7.5% Valley Auto Theater	210,000		15,000	195,000
Total General Obligation Bonds	234,000	922,000	62,664	1,093,336
Compensated Absences Payable	0	115,308	0	115,308
TOTAL - General Long-Term Obligations	$234,000	$1,037,308	$62,664	$1,208,644

The City issued three bonds in 1997, a various purpose bond for a period of ten years, a fire apparatus bond for a period of three years, and a building improvement bond for a period of ten years. Interest is paid semi-annually on each bond issue. The bond issues will be repaid from monies received in the Compton Road Property Acquisition debt service fund, Safety Tax special revenue fund, and the General fund, respectively.

The City issued Perry Street property acquisition bond in 1994 for a period of five years. Interest is paid annually. The bond will be repaid from monies received from Perry Street property acquisition debt service fund.

The City issued Valley Auto Theater bond in 1990 for a period of twenty years. Interest is paid semi-annually. The bond will be repaid from monies received from Compton Road Escrow expendable trust fund.

Compensated absences will be paid from the fund from which the employee is paid.

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

As of December 31, 1997, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $6,042,006 and the unvoted legal debt margin was $3,737,560.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 1997, were:

	Various Purpose Bond	Fire Apparatus Loan	Building Improvement Bond	Perry Street Property	Valley Auto Theater	Total
1998	12,792	92,536	21,944	8,720	29,063	165,055
1999	12,792	92,536	21,944	8,360	27,938	163,570
2000	27,584	46,268	47,319		26,813	147,984
2001	42,376		72,694		25,688	140,758
2002	42,376		72,694		24,563	139,633
Thereafter	190,692		327,122		156,000	673,814
Total	328,612	231,340	563,717	17,080	290,065	1,430,814

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables which occurred during 1997 were as follows:

Fund:	Receivables	Payables
General	$ 5,256	$ 0
Mayor’s Court	0	5,256
TOTAL	$ 5,256	$ 5,256

NOTE 14 -INTERFUND TRANSFERS

Operating transfers represent transfers of resources from a fund receiving revenue to a fund through which those resources will be expended. A list of 1997 interfund transfers were as follows:

Fund:	Transfers - In	Transfers - Out
General	$ 0	$ 87,025
Auto Registration	0	70,000
Street, Construction, Maintenance & Repair	110,000	0
Special Recreation	24,200	0
Perry Street Property Acquisition	5,425	0
Building Renovation/Loan Consolidation	17,400	0
TOTAL	$ 157,025	$ 157,028

NOTE 15 - RISK MANAGEMENT

The City of Mount Healthy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and other liability claims. The City purchases commercial coverage of all risks of loss. The coverage has a 2,000,000 limit. Settled claims form these risks have not exceeded the purchased coverage for any of the past three years. The City also purchases standard group health insurance for it's full time employees.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

For the year ended December 31, 1997, the City has presented financial statements by fund type and account group in accordance with generally accepted accounting principles for the first time. In conjunction with the presentation, the City has changed its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental fund types, expendable trust, and agency funds. This change required that certain adjustments be recorded to the December 31, 1996, fund balance as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatement to the beginning fund balances are as follows:

	Previously stated Balance at December 31, 1996	Adjustments	Restated Amount At January 1, 1997
Governmental Funds:			
General	$ 335,796	$ (1,908)	$ 333,888
Special Revenue	105,099	5,319	110,418

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

The Mount Healthy Community Improvement Corporation was established in January 1990 for the purpose of acquiring and developing real property located in the City of Mount Healthy. The City issued a general obligation bond in the amount of $300,000 in June 1990. The bond proceeds were used by the Community Improvement Corporation to purchase property on behalf of the City. The Board of the Community Improvement Corporation is comprised of two members of Council, four City officials, and three residents of the City. A separate financial report can be obtained by writing to Mt. Healthy Community Improvement Corporation at 7700 Perry Street, Mt. Healthy, Ohio 45231.

NOTE 18 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 1997, to December 31, 1997, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 18 - COMPLIANCE AND ACCOUNTABILITY (continued)

Budgetary

The Compton Road Property Acquisition debt service fund had a deficit fund balance of $2,143 at December 31, 1997.

The Safety Tax, Hamilton Avenue Improvement, and the Building Renovation/Loan Consolidation funds had total appropriations in excess of total estimated resources plus available balances.

The General, Street Construction Maintenance & Repair, Safety Tax, Special Recreation, Perry Street Property Acquisition, OPW Capital Project, Compton Road Escrow, and Compton Road Property Acquisition funds were found to have total expenditures which exceeded total appropriations.

The City did not certify the availability of funds for certain commitments, and those commitments were not properly encumbered.

Investments

City Council has not approved an investment policy as required by Ohio Rev. Code, Section 134.14. The City Auditor did not complete the required training to invest in securities other than certificates of deposit or STAROhio. Investments held in U.S. Treasury securities with stripped interest were ineligible securities for the City under Chapter 135 Ohio Revised Code.

Fund Accounting

A fund to account for State Issue II funds was not established.

Revenue received from bond proceeds for the payment of Bond anticipation note were incorrectly distributed to the Loan Consolidation fund.

Mayor's Court

A cashbook showing all receipts and disbursements of Mayor's Court was not maintain for calendar year 1998.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Mt. Healthy
Hamilton County
Perry & McMakin Ave.
Mt. Healthy, Ohio 45231

To the City Council:

We have audited the general-purpose financial statements of the City of Mt. Healthy, Hamilton County, Ohio (the City), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-20431-001 to 1998-20431-010.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated April 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-20431-010 to 1998-20431-012.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, of the reportable conditions described above, we consider items 1998-20431-011 and 1998-20431-012 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated April 7, 2000.

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

Jim Petro
Auditor of State

April 7, 2000

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

FINDING NUMBER 1998-20431-001

Noncompliance

Ohio Rev. Code, Section 5705.10, provides that the money paid into any fund shall be used for the purpose for which such fund is established. A deficit cash balance indicates that cash from another fund has been used to pay the obligations of the other funds. This could have been avoided by proper use of purchase orders and approved advances. The City had deficit cash balance in the following funds:

Fund	Fund Cash Balance
FY 1998:	
Safety Tax	$ (30,261)
Compton Road Property Acquisition	(2,143)
Building Renovation /Loan Consolidation	(19,272)
FY 1997:	
Compton Road Property Acquisition	(2,143)

FINDING NUMBER 1998-20431-002

Noncompliance

Ohio Rev. Code, Section 135.14 and 133.03 (A)(1), prohibits investment in United States obligations or any other obligation as to principal and interest by the United States which include stripped principal or interest.

Ohio Rev. Code, Section 135.14, also requires the entity to have a written investment policy approved by the treasurer or governing board on file with the Auditor of State for investment or deposit under this section. The City had investments during fiscal year 1998 and 1997 in U.S. Treasury securities with stripped interest. The City also did not have a written investment policy approved by its Council on file with the Auditor of State, which would allow them to invested in securities other than interim deposits or StarOhio during the audit period.

FINDING NUMBER 1998-20431-003

Noncompliance

Ohio Rev. Code, Section 5705.09(F), requires the City to established a special fund for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the City's appropriations. The State made payments of "Issue 2" monies to contractors in the amount of $633,723 on behalf of the City. The City did not formally establish the required fund to account for these monies during 1997. Guidance on the accounting treatment for these types of transactions is set forth in MAS Bulletin 89-17.

FINDING NUMBER 1998-20431-004

Noncompliance

Ohio Rev. Code, Section 1907.20 (C), under the authority of Ohio Rev. Code, Section 1905.02, requires that Clerk of Court to keep a cashbook showing all receipts and disbursements of the court . Ohio Administrative Code, Section 117-5-09, establishes guidelines for the proper and complete maintenance of a cash journal, docket and a general index. The Court Clerk did not maintain a cash book from January 1997 to July 1998.

FINDING NUMBER 1998-20431-005

Noncompliance

Ohio Rev. Code, Section 5705.10, requires that all proceeds from the sale of public obligations or fractionalized interest in public obligations as defined in Ohio Rev. Code, Section 133.01, except premium and accrued interest, is to be paid into a special fund for the purpose of such issue. The City incorrectly distributed revenue received from bond proceeds in the amount of $250,000 for the payment of Bond anticipation notes to the Loan Consolidation fund in 1997.

FINDING NUMBER 1998-20431-006

Noncompliance

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the legislative authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

2. If the amount involved is less than $1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the legislative authority, if such expenditure is otherwise valid.

Forty percent of the expenditures tested had invoices dated prior to the purchase order, and thirty-six percent of the expenditures tested had no purchase order attached.

FINDING NUMBER 1998-20431-007

Noncompliance

Ohio Rev. Code, Section 5705.36 (a)(4), requires a subdivision to obtain an amended official certificate when revenue to be collected will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations. In 1998, the Building Renovation/ Loan Consolidation fund's estimated receipts exceeded actual receipts by $21,944, and its actual disbursement plus encumbrances exceeded available funds by $33,884.

FINDING NUMBER 1998-20431-008

Noncompliance

Ohio Rev. Code, Section 135.22, requires the City Auditor to complete annual continuing education program provided by the Treasurer of State to invested in securities other than interim deposits or STAROhio. The Auditor did not complete the required training to invest in other securities during the audit period.

FINDING NUMBER 1998-20431-009

Noncompliance

Ohio Rev. Code, Section 5705.39, requires that the total appropriation from each fund should not exceed the total estimated revenue. The total appropriations exceeded the total estimated revenue in the following funds:

Fund	Total Appropriation	Estimated Revenue	Variance
FY 1998:			
General	$ 2,387,607	$ 2,297,663	89,944
FY 1997:			
Safety Tax	470,659	420,829	49,831
Hamilton Avenue Improvement	8,400	0	8,400
Loan Consolidation	692,868	579,759	113,109

FINDING NUMBER 1998-20431-010

Noncompliance/ Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds were found to have total expenditures which exceeded total appropriations as of December 31, 1998 and 1997:

Fund	Total Appropriation	Total Expenditures	Variance
FY 1998:			
Safety Tax	$ 203,388	$ 203,427	$ 39
Auto Registration	0	27,361	27,361
Loan Consolidation	21,944	33,884	11,940

FINDING NUMBER 1998-20431-010 (**Continued**)

Noncompliance/ Reportable Condition

FY 1997:			
General	1,847,228	1,851,290	$ 4,062
Street, Construction, Maintenance & Repair	176,218	255,122	78,904
Safety Tax	470,659	489,035	18,376
Special Recreation	10,400	39,192	28,792
Perry Street Property Acquisition	0	1,080	1,080
Capital Project fund (OPW Project)	0	633,723	633,723
Compton Road Escrow	0	38,301	38,301
Compton Road Property Acquisition	0	263,674	263,674

The City does not maintain a record of outstanding purchase orders. As a result, the City does not have an effective procedure in place for monitoring outstanding obligations and for determining the amount of funds available for disbursement. The City's accounting system has an encumbrance journal available that is not being used. The City should maintain an encumbrance journal to account for outstanding purchase orders.

FINDING NUMBER 1998-20431-011

Reportable Conditions/Material Weakness

Mayors Court

Monthly reconciliations of the bank's balance with the Mayor's court cash book were not being properly performed or "retained". Monthly reconciliations are an intricate part of any internal control system, and should be performed monthly by the Auditor. The Mayor's Court reconciled bank balance should be equal to the amount of outstanding checks and the open items list prepared by the Court Clerk. The reconciliation process will help to detect possible errors and alleviate the possibility of misappropriation of funds within the Mayor's Court.

FINDING NUMBER 1998-20431-012

Reportable Conditions/Material Weakness

GAAP Financial Statements

There were numerous errors in the GAAP financial statements, including footnotes. This resulted in increased audit costs due to time involved in the identification and correction of posting errors.

Because the client performs their GAAP conversion internally, the City should ensure individuals involved with the conversion process are properly trained and receive regular updates. They should also consider utilizing outside expertise on governmental GAAP reporting in the compilation of their financial statements.

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CITY OF MT. HEALTHY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 22, 2000