



CITY OF MT. HEALTHY, OHIO

Hamilton County

Regular Audit

For the Years Ended December 31, 2001 and 2002

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Members of City Council
City of Mt. Healthy

We have reviewed the Independent Auditor's Report of the City of Mt. Healthy, Hamilton County, prepared by J.L. Uhrig & Associates, Inc. for the audit period January 1, 2001 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 27, 2003

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CITY OF MT. HEALTHY, OHIO
Hamilton County
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the City of Mt. Healthy, Ohio (the City) as of and for the years ended December 31, 2001 and 2002. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a blended component unit of the City. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mt. Healthy Community Improvement Corporation, is based on the report of the other auditor.

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

In our opinion, based on our audit and the reports of the other auditor, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2001 and 2002, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States.

As described in Note 3 for the year ended December 31, 2001, the City adopted GASB Statement Numbers 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 18, 2003 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC

July 18, 2003

**City of Mt. Healthy
Hamilton County, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$429,721	\$13,633	\$22,073	\$209,077
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	132,818	0	0
Receivables:				
Property and Other Local Taxes	599,034	169,772	0	103,733
Income Taxes	284,336	0	0	0
Accounts	4,245	0	0	0
Due from Other Governments	117,631	93,352	0	0
Due from Other Funds	7,148	0	0	0
Interfund Receivable	32,032	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$1,474,147</u>	<u>\$409,575</u>	<u>\$22,073</u>	<u>\$312,810</u>
<u>Liabilities, Fund Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$84,692	\$3,502	\$0	\$0
Accrued Salaries Payable	22,935	5,936	0	0
Due to Other Governments	17,524	86	0	0
Due to Other Funds	0	0	0	0
Deferred Revenue	871,356	243,858	0	103,733
Interfund Payable	0	32,032	0	0
Notes Payable	0	0	0	0
Compensated Absences Payable	2,634	320	0	0
Undistributed Monies	0	0	0	0
Loans Payable	0	0	0	0
Police Pension Liability Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>999,141</u>	<u>285,734</u>	<u>0</u>	<u>103,733</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balances:				
Unreserved, Undesignated	<u>475,006</u>	<u>123,841</u>	<u>22,073</u>	<u>209,077</u>
Total Fund Equity and Other Credits	<u>475,006</u>	<u>123,841</u>	<u>22,073</u>	<u>209,077</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,474,147</u>	<u>\$409,575</u>	<u>\$22,073</u>	<u>\$312,810</u>

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
	\$0	\$0	\$674,504
9,183	0	0	9,183
0	0	0	132,818
0	0	0	872,539
0	0	0	284,336
0	0	0	4,245
0	0	0	210,983
0	0	0	7,148
0	0	0	32,032
0	3,487,374	0	3,487,374
0	0	22,073	22,073
0	0	2,198,141	2,198,141
<u>\$9,183</u>	<u>\$3,487,374</u>	<u>\$2,220,214</u>	<u>\$7,935,376</u>

	\$0	\$0	\$0	\$88,194
	0	0	0	28,871
	0	0	78,599	96,209
7,148	0	0	0	7,148
0	0	0	0	1,218,947
0	0	0	0	32,032
0	0	109,000	0	109,000
0	0	127,086	0	130,040
2,035	0	0	0	2,035
0	0	55,710	0	55,710
0	0	53,372	0	53,372
0	0	1,796,447	0	1,796,447
9,183	0	2,220,214	0	3,618,005
0	3,487,374	0	0	3,487,374
0	0	0	0	829,997
0	3,487,374	0	0	4,317,371
<u>\$9,183</u>	<u>\$3,487,374</u>	<u>\$2,220,214</u>	<u>\$2,220,214</u>	<u>\$7,935,376</u>

**City of Mt. Healthy
Hamilton County, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2002**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property and Other Local Taxes	\$609,111	\$210,776	\$0	\$112,354	\$932,241
Income Taxes	1,102,257	0	0	0	1,102,257
Intergovernmental	293,127	187,555	0	340,285	820,967
Charges for Services	523,114	0	0	0	523,114
Fines, Licenses and Permits	204,750	0	0	0	204,750
Rent	700	0	0	0	700
Interest	16,051	1,406	0	848	18,305
Donations	2,350	0	0	0	2,350
Miscellaneous	39,276	402	0	0	39,678
Total Revenues	<u>2,790,736</u>	<u>400,139</u>	<u>0</u>	<u>453,487</u>	<u>3,644,362</u>
<u>Expenditures:</u>					
Current:					
Security of Persons and Property	1,190,272	133,580	0	0	1,323,852
Transportation	0	240,014	0	0	240,014
Public Works	339,255	88	0	0	339,343
Leisure Time Activities	1,277,827	4,275	0	0	1,282,102
Community Environment	104,219	0	0	0	104,219
General Government	516,447	0	0	0	516,447
Capital Outlay	17,890	0	0	546,370	564,260
Debt Service:					
Police Pension Principal	754	0	0	0	754
Principal Retirement	1,213,000	16,595	117,892	15,000	1,362,487
Interest and Fiscal Charges	78,142	4,365	60,239	9,563	152,309
Total Expenditures	<u>4,737,806</u>	<u>398,917</u>	<u>178,131</u>	<u>570,933</u>	<u>5,885,787</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,947,070)</u>	<u>1,222</u>	<u>(178,131)</u>	<u>(117,446)</u>	<u>(2,241,425)</u>
<u>Other Financing Sources (Uses):</u>					
Proceeds of Loans	109,000	0	0	0	109,000
Proceeds of Bonds	1,250,000	0	0	0	1,250,000
Premium on Bond Issue	38,443	0	0	0	38,443
Sale of Fixed Assets	0	3,615	0	0	3,615
Operating Transfers - In	0	0	178,200	50,414	228,614
Operating Transfers - Out	(228,614)	0	0	0	(228,614)
Total Other Financing Sources (Uses)	<u>1,168,829</u>	<u>3,615</u>	<u>178,200</u>	<u>50,414</u>	<u>1,401,058</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(778,241)</u>	<u>4,837</u>	<u>69</u>	<u>(67,032)</u>	<u>(840,367)</u>
Fund Balances at Beginning of Year	<u>1,253,247</u>	<u>119,004</u>	<u>22,004</u>	<u>276,109</u>	<u>1,670,364</u>
Fund Balances at End of Year	<u>\$475,006</u>	<u>\$123,841</u>	<u>\$22,073</u>	<u>\$209,077</u>	<u>\$829,997</u>

See Accompanying Notes to the General Purpose Financial Statements

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**City of Mt. Healthy
Hamilton County, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Local Taxes	\$358,585	\$511,625	\$153,040	\$211,602	\$213,250	\$1,648
Income Taxes	867,242	1,102,257	235,015	0	0	0
Intergovernmental	251,000	531,484	280,484	200,208	187,571	(12,637)
Charges for Services	365,957	524,717	158,760	0	0	0
Fines, Licenses and Permits	170,367	197,602	27,235	0	0	0
Rent	347	700	353	0	0	0
Interest	419	16,849	16,430	0	0	0
Donations	1,837	2,350	513	0	0	0
Miscellaneous	35,740	40,876	5,136	2,085	393	(1,692)
Total Revenues	2,051,494	2,928,460	876,966	413,895	401,214	(12,681)
Expenditures:						
Current:						
Security of Persons and Property	1,137,112	1,133,473	3,639	145,879	132,291	13,588
Transportation	0	0	0	263,176	238,015	25,161
Public Works	345,001	345,001	0	0	0	0
Leisure Time Activities	1,314,870	1,276,680	38,190	0	0	0
Community Environment	109,962	104,219	5,743	0	0	0
General Government	541,140	512,430	28,710	0	0	0
Capital Outlay	19,994	19,910	84	0	0	0
Debt Service:						
Principal Retirement	0	1,213,000	(1,213,000)	16,635	16,595	40
Interest and Fiscal Charges	0	78,142	(78,142)	4,365	4,365	0
Total Expenditures	3,468,079	4,682,855	(1,214,776)	430,055	391,266	38,789
Excess of Revenues Over (Under) Expenditures	<u>(1,416,585)</u>	<u>(1,754,395)</u>	<u>(337,810)</u>	<u>(16,160)</u>	<u>9,948</u>	<u>26,108</u>
Other Financing Sources (Uses):						
Proceeds of Loans	0	109,000	109,000	0	0	0
Proceeds of Notes	1,019,594	0	(1,019,594)	0	0	0
Proceeds of Bonds	0	1,250,000	1,250,000	0	0	0
Premium on Bond Issue	0	38,443	38,443	0	0	0
Sale of Fixed Assets	0	0	0	3,615	3,615	0
Operating Transfers - In	0	0	0	0	0	0
Operating Transfers - Out	(275,866)	(228,614)	47,252	0	0	0
Total Other Financing Sources (Uses)	743,728	1,168,829	425,101	3,615	3,615	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(672,857)</u>	<u>(585,566)</u>	<u>87,291</u>	<u>(12,545)</u>	<u>13,563</u>	<u>26,108</u>
Fund Balances (Deficit) at Beginning of Year	<u>1,047,319</u>	<u>1,047,319</u>	<u>0</u>	<u>(31,962)</u>	<u>(31,962)</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u>\$374,462</u>	<u>\$461,753</u>	<u>\$87,291</u>	<u>(\$44,507)</u>	<u>(\$18,399)</u>	<u>\$26,108</u>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$90,660	\$112,354	\$21,694
0	0	0	0	0	0
0	0	0	357,671	340,285	(17,386)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,573	952	(1,621)
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>450,904</u>	<u>453,591</u>	<u>2,687</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	498,850	546,370	(47,520)
120,634	117,892	2,742	15,000	15,000	0
59,446	60,239	(793)	9,563	9,563	0
<u>180,080</u>	<u>178,131</u>	<u>1,949</u>	<u>523,413</u>	<u>570,933</u>	<u>(47,520)</u>
<u>(180,080)</u>	<u>(178,131)</u>	<u>1,949</u>	<u>(72,509)</u>	<u>(117,342)</u>	<u>(44,833)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
178,200	178,200	0	0	50,414	50,414
0	0	0	0	0	0
<u>178,200</u>	<u>178,200</u>	<u>0</u>	<u>0</u>	<u>50,414</u>	<u>50,414</u>
(1,880)	69	1,949	(72,509)	(66,928)	5,581
<u>22,004</u>	<u>22,004</u>	<u>0</u>	<u>276,005</u>	<u>276,005</u>	<u>0</u>
<u>\$20,124</u>	<u>\$22,073</u>	<u>\$1,949</u>	<u>\$203,496</u>	<u>\$209,077</u>	<u>\$5,581</u>

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**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

The Mt. Healthy Community Improvement Corporation (CIC) was created as a not for profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC was established in January, 1990, for the purpose of acquiring and developing real property located in the City of Mt. Healthy to increase the opportunities for employment and strengthen the economic development of the City. The CIC is governed by a nine member Board of Trustees, six of which are elected or appointed officials of the City. Because this service entirely benefits the City, the CIC is considered a blended component unit of the City. This activity is presented as a special revenue fund of the City.

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

The City participates in two organizations which are defined as jointly governed organizations. These organizations are the Center for Local Government and the Hamilton County Municipal League (HCML). These organizations are presented in Note 18 of the General Purpose Financial Statements.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Type

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

Account Groups

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

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

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

Basis of Accounting

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

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

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

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

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables not collected within the available period have also been reported as deferred revenue.

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

Budgets and Budgetary Accounting

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

Tax Budget

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the City Auditor determines that revenue to be collected will be greater than or less than the prior estimates, and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds, except agency funds, must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations passed during the year. Eight supplemental appropriation measures were legally enacted during 2002 by Council.

Budgeted Level of Expenditure

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The City's Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts." The cash pertaining to the CIC is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

During 2002, the street construction, maintenance and repair special revenue fund expended more than its share of pooled cash and cash equivalents. The fund had a negative cash balance at year-end that was eliminated by a short-term loan from the general fund. The loan is classified as "Interfund Receivables" and "Interfund Payables" on the combined financial statements.

For presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the general fund during 2002 amounted to \$16,051, which includes \$4,396 assigned from other City funds.

Interfund Assets/Liabilities

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

Fixed Assets and Depreciation

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Interfund Transactions

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

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Total Columns on General Purpose Financial Statements

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

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Compliance

The following budgetary accounts had an excess of expenditures over appropriations for the year ended December 31, 2002:

	<u>Excess</u>
General Fund:	
Principal Retirement	\$1,213,000
Interest and Fiscal Charges	78,142
Building Renovation Loan Consolidation Debt Service Fund:	
Interest and Fiscal Charges	793
CIP Capital Projects Fund:	
Capital Outlay	19
Compton Road Capital Projects Fund:	
Capital Outlay	1,530
Hill/Martin/Bernard Capital Projects Fund:	
Capital Outlay	45,971

The City did not revise its estimated resources or appropriations when the Aquatic Facilities bonds were issued. When the City experiences a significant change in estimated receipts or anticipated expenditures, the City is required to request an amendment.

The state highway special revenue fund had appropriations in excess of estimated resources and available balances for the year ended December 31, 2002, in the amount of \$11,273. The safety tax special revenue fund had appropriations in excess of estimated resources for the year ended December 31, 2002, in the amount of \$11,479.

The building renovation loan consolidation debt service fund had appropriations in excess of estimated resources and available balances for the year ended December 31, 2002, in the amount of \$1,880.

The Hill/Martin/Bernard capital projects fund had appropriations in excess of estimated resources and available balances for the year ended December 31, 2002, in the amount of \$60,032.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY (continued)

The community improvement program (CIP) capital projects fund had appropriations in excess of estimated resources and available balances for the year ended December 31, 2002, in the amount of \$20,487.

Accountability

The street construction, maintenance and repair special revenue fund had a fund balance deficit at December 31, 2002, in the amount of \$32,032 due to unexpected street repairs that resulted in a negative cash balance. An interfund receivable/payable was established to cover the negative cash balance. The general fund is liable for any deficits in this fund and provides operating transfers when cash is needed rather than when accruals occur.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

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

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$778,241)	\$4,837	\$69	(\$67,032)
Adjustments				
Revenue Accruals	137,724	2,490	0	104
Expenditure Accruals	54,951	3,376	0	0
Non-Budgeted Activity	0	2,860	0	0
Budget Basis	(\$585,566)	\$13,563	\$69	(\$66,928)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; or
3. Obligations of the City.

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

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 5 - 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 City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3.

Deposits

At year-end, the carrying amount of the City's deposits was \$816,505, and the bank balance was \$760,578. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$560,578 was uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

Investments

The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City did not have any investments at year-end.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 6 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2002, was \$8.11 per \$1,000 of assessed value. The full tax rate increased \$1.50 from the prior year due to a Street Levy that went into effect in 2001. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	\$67,117,230
Public Utility Property	5,225,390
Tangible Personal	2,799,610
Total Property Taxes	<u>\$75,142,230</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is offset by deferred revenue.

NOTE 7 - INCOME TAX

The City levies a municipal income tax of 1.5 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

In 2002, the income tax proceeds were allocated to the general fund. Income tax revenue for 2002 was \$1,102,257.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2002, consisted of property and other local taxes, income taxes, accounts, due from other funds, interfund, and intergovernmental receivables arising from grants, fines, fees and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

<u>General Fund</u>	<u>Fund Type/Fund</u>	<u>Amount</u>
Homestead and Rollback		\$16,539
Income Tax		56,517
Local Government Revenue Assistance		8,372
Undivided Local Government		10,697
Estate Tax		11,578
Security Reimbursement		13,670
Medicaid Payment		258
Total General Fund		<u>117,631</u>
 <u>Special Revenue Funds:</u>		
<u>Street Construction, Maintenance, and Repair</u>		
Homestead and Rollback		5,994
Motor Vehicle Registration		19,222
Gasoline Cents Per Gallon		36,737
State Gasoline Excise Tax		18,385
Total Street Construction, Maintenance, and Repair Fund		<u>80,338</u>
<u>State Highway</u>		
Motor Vehicle Registration		1,556
Gasoline Cents Per Gallon		2,979
State Gasoline Excise Tax		1,487
Total State Highway Fund		<u>6,022</u>
<u>Safety Tax</u>		
Homestead and Rollback		6,992
Total Special Revenue Funds		<u>93,352</u>
 Total All Funds		 <u><u>\$210,983</u></u>

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 9 - FIXED ASSETS

A summary of the changes in general fixed assets during the year ended December 31, 2002, were as follows:

	Balance at			Balance at
	December 31,			December 31,
Asset Category	2001	Additions	Deductions	2002
Land	\$283,150	\$0	\$0	\$283,150
Land Improvements	0	1,257,701	0	1,257,701
Buildings	255,600	0	0	255,600
Equipment and Vehicles	1,638,527	75,447	23,051	1,690,923
Construction in Progress	212,794	0	212,794	0
Totals	\$2,390,071	\$1,333,148	\$235,845	\$3,487,374

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS 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. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Ohio 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. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, decreased from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$53,079, \$58,526, and \$36,935, respectively. The full amount has been contributed for 2002, 2001 and 2000.

Ohio Police and Fire Pension Fund

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 for firefighters. For 2001, the City contributions were 12.00 percent for police and 16.50 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$62,776 and \$4,869 for the year ended December 31, 2002, \$55,953 and \$3,968 for the year ended December 31, 2001, and \$79,758 and \$0 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 78.89 percent and 77.53 percent, respectively, have been contributed for 2002, with the remainder being reported as a liability in the general long-term obligations account group.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2002, the unfunded liability of the City was \$53,372, payable in semiannual installments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$31,041. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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

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

Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001, the percentage used to fund healthcare was 7.5 percent. 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 City's actual contributions for 2002 that were used to fund postemployment benefits were \$41,405 for police and \$2,322 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

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

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 12 - EMPLOYEE BENEFITS (continued)

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

Unpaid compensated absences of \$2,954, at December 31, 2002, were reported as an accrued liability in the governmental fund types. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$127,086.

Insurance Benefits

The City has elected to provide employee medical/surgical and life insurance benefits through United Health Care for all employees. The City pays 100 percent of the monthly premium for all full-time employees under the family plan and the non-family plan. The City pays 75 percent of the monthly premium for relatives of full-time employees under the family plan. The City does not pay any of the monthly premium for part-time employees. The City provides employee dental insurance through MetLife for full-time employees only. The City pays 100 percent of dental insurance for all full-time employees and the City does not pay for dental insurance for part-time employees.

Deferred Compensation

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

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2002, the City contracted with Hylant Group for insurance. The coverage and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$4,000,000/6,000,000	\$0
Municipal Automobile Liability	4,000,000	250
Property	2,796,128	1,000
Wrongful Acts	4,000,000/6,000,000	2,500
Law Enforcement Liability	4,000,000/6,000,000	2,500
Public Employee Dishonesty	25,000	0
Crime	10,000	0
Inland Marine	314,610	500
EDP Software/Hardware	53,603	1,000
Fire Vehicle	671,000	Various
Electronic Media	100,000	1,000

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 13 - RISK MANAGEMENT (continued)

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

NOTE 14 – INTERFUND ACTIVITY

Individual interfund receivables and payables balances at December 31, 2002, were as follows:

<u>Fund</u>	<u>Receivable (Due from Other Funds)</u>	<u>Payable (Due to Other Funds)</u>
General	\$7,148	\$0
Agency Fund:		
Mayor's Court	0	7,148
Total	<u>\$7,148</u>	<u>\$7,148</u>

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$32,032	\$0
Special Revenue Fund:		
Street Construction, Maintenance and Repair Fund	0	32,032
Total	<u>\$32,032</u>	<u>\$32,032</u>

NOTE 15 – COOPERATIVE PURCHASE AGREEMENT

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

The fixed asset acquired by the cooperative purchase agreement has been capitalized in the General Fixed Assets Account Group in the amount of \$75,952, which is equal to half of the present value of the future minimum loan payments at the time of acquisition for the City, including the cost of the down payment made by the City. A liability was recorded in the General Long-Term Obligations Account Group in the amount of \$50,031, which represents future principal payments. The liability is shown as due to other governments on the balance sheet. In fiscal year 2002, the City of Mt. Healthy paid \$14,274 to the City of North College Hill for the street sweeper. Of this \$14,274 payment, \$10,921 was principal and \$3,353 was interest.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 15 – COOPERATIVE PURCHASE AGREEMENT (continued)

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

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2003	\$11,522	\$2,752	\$14,274
2004	12,155	2,119	14,274
2005	12,824	1,450	14,274
2006	13,530	744	14,274
Total	<u>\$50,031</u>	<u>\$7,065</u>	<u>\$57,096</u>

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2002 were as follows:

	<u>Balance at December 31, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at December 31, 2002</u>
<u>General Obligation Bonds:</u>				
Various Purpose (Drive-In)				
5.20% - 1997	\$204,460	\$0	\$32,367	\$172,093
Building Improvement				
5.20% - 1997	339,879	0	55,525	284,354
Valley Auto Theatre Property				
7.50% - 1990	135,000	0	15,000	120,000
Aquatic Facilities				
2.00% to 5.00% - 2002	0	1,250,000	30,000	1,220,000
TOTAL - General Obligation Bonds	<u>679,339</u>	<u>1,250,000</u>	<u>132,892</u>	<u>1,796,447</u>
<u>Other Long-Term Obligations:</u>				
Aquatic and Community Facility Bond				
Anticipation Notes 3.50%	1,213,000	0	1,213,000	0
Police Vehicles General Obligation Note				
3.84% - 2002	0	109,000	0	109,000
Loans Payable 3.84%	72,305	0	16,595	55,710
Compensated Absences Payable	114,415	12,671	0	127,086
Police Pension Liability	54,126	0	754	53,372
Due to Other Governments	91,923	28,568	41,892	78,599
TOTAL - Other Long-Term Obligations	<u>1,545,769</u>	<u>150,239</u>	<u>1,272,241</u>	<u>423,767</u>
TOTAL - General Long-Term Obligations	<u>\$2,225,108</u>	<u>\$1,400,239</u>	<u>\$1,405,133</u>	<u>\$2,220,214</u>

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

The Various Purpose (Drive-in) bonds were issued in 1997 in the amount of \$250,000 for a period of ten years with final maturity on March 3, 2007. The bonds were issued at a 5.2% interest rate for the purpose of acquiring and constructing various capital improvements and related appurtenances within the City. Interest is paid semi-annually. The bond issue will be repaid from general fund monies transferred to the loan consolidation debt service fund.

The Building Improvement bonds (Municipal Building Bond) were issued in 1997 in the amount of \$418,000 for a period of ten years for the purpose of making improvements to the municipal building. The bonds were issued at a 5.2% interest rate with final maturity on March 3, 2007. Interest is paid semi-annually. The bond issue will be repaid from general fund monies transferred to the loan consolidation debt service fund.

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

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

On June 13, 2001, the City issued a one year Aquatic and Community Facility Bond Anticipation Note for \$1,213,000. The note had an interest rate of 3.5% and matured on June 13, 2002. The note was repaid with the proceeds from the Aquatic Facilities bond.

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

On January 22, 2001, the City entered into a 5 year loan agreement with Firststar Bank for fire equipment. Payments are to be made twice a year, beginning in June 2002, and ending in December 2005, from the safety tax special revenue fund.

Compensated absences and a portion of due to other governments (which represents the contractually required pension contributions paid outside of the available period), will be paid from the funds from which the employees' salaries are paid. The remaining due to other governments (which represents a cooperative purchase agreement – See Note 16) will be paid from the street construction, maintenance and repair special revenue fund.

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

As of December 31, 2002, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$6,016,118, and the unvoted legal debt margin was \$2,259,007.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2002, are:

	Various Purpose (Drive-in)	Building Improvement	Valley Auto Theatre Property	Aquatic Facilities	Police Pension	Total
2003	\$42,376	\$72,694	\$23,438	\$85,125	\$3,046	\$226,679
2004	42,376	72,694	22,312	84,563	3,046	224,991
2005	42,376	72,694	21,188	83,950	3,046	223,254
2006	42,376	72,693	20,062	83,213	3,046	221,390
2007	21,188	36,347	18,938	97,288	3,046	176,807
2008-2012	0	0	50,062	558,074	15,230	623,366
2013-2017	0	0	0	557,700	15,230	572,930
2018-2022	0	0	0	445,000	15,230	460,230
2023-2027	0	0	0	0	15,230	15,230
2028-2032	0	0	0	0	15,230	15,230
2033-2035	0	0	0	0	7,481	7,481
Total	<u>\$190,692</u>	<u>\$327,122</u>	<u>\$156,000</u>	<u>\$1,994,913</u>	<u>\$98,861</u>	<u>\$2,767,588</u>

The following schedule represents the principal and interest payments to be made by the City of Mt. Healthy over the next five years for the Police Vehicle General Obligation Notes:

Date	Principal	Interest	Payment
2003	\$24,000	\$4,530	\$28,530
2004	24,000	3,264	27,264
2005	24,000	2,342	26,342
2006	24,000	1,421	25,421
2007	13,000	499	13,499
Total	<u>\$109,000</u>	<u>\$12,056</u>	<u>\$121,056</u>

Principal and interest requirements to retire the City's loan payable at December 31, 2002, are:

	Loan Payable
2003	\$20,448
2004	20,448
2005	20,448
Totals	<u>\$61,344</u>

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Center for Local Government

The Center for Local Government was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The City does not have any financial interest in or responsibility for the Center. The City's financial contribution during 2002 was immaterial. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio, 45236.

The Hamilton County Municipal League (HCML)

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

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

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

Payments to the HCML are made from the general fund. The amount the City paid during 2002 was immaterial. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

NOTE 19 - CONTINGENT LIABILITIES

Litigation

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

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002**

NOTE 19 - CONTINGENT LIABILITIES (continued)

Federal and State Grants

For the period January 1, 2002, to December 31, 2002, 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.

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**City of Mt. Healthy
Hamilton County, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$991,731	\$23,626	\$22,004	\$276,005
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	135,678	0	0
Receivables:				
Property and Other Local Taxes	253,693	126,965	0	95,831
Income Taxes	321,394	0	0	0
Accounts	13,804	0	0	0
Accrued Interest	1,324	0	0	121
Due from Other Governments	257,843	95,839	0	48,873
Due from Other Funds	5,559	0	0	0
Interfund Receivable	55,588	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$1,900,936</u>	<u>\$382,108</u>	<u>\$22,004</u>	<u>\$420,830</u>
<u>Liabilities, Fund Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$54,225	\$1,894	\$0	\$0
Contracts Payable	0	0	0	48,873
Accrued Salaries Payable	1,081	3,036	0	0
Due to Other Governments	16,029	0	0	0
Due to Other Funds	0	0	0	0
Deferred Revenue	574,855	201,048	0	95,848
Interfund Payable	0	55,588	0	0
Notes Payable	0	0	0	0
Compensated Absences Payable	1,499	1,538	0	0
Undistributed Monies	0	0	0	0
Loans Payable	0	0	0	0
Police Pension Liability Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>647,689</u>	<u>263,104</u>	<u>0</u>	<u>144,721</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balances:				
Unreserved, Undesignated	<u>1,253,247</u>	<u>119,004</u>	<u>22,004</u>	<u>276,109</u>
Total Fund Equity and Other Credits	<u>1,253,247</u>	<u>119,004</u>	<u>22,004</u>	<u>276,109</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,900,936</u>	<u>\$382,108</u>	<u>\$22,004</u>	<u>\$420,830</u>

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$0	\$0	\$0	\$1,313,366
7,169	0	0	7,169
0	0	0	135,678
0	0	0	476,489
0	0	0	321,394
0	0	0	13,804
0	0	0	1,445
0	0	0	402,555
0	0	0	5,559
0	0	0	55,588
0	2,390,071	0	2,390,071
0	0	22,004	22,004
0	0	2,203,104	2,203,104
<u>\$7,169</u>	<u>\$2,390,071</u>	<u>\$2,225,108</u>	<u>\$7,348,226</u>

\$0	\$0	\$0	\$56,119
0	0	0	48,873
0	0	0	4,117
0	0	91,923	107,952
5,559	0	0	5,559
0	0	0	871,751
0	0	0	55,588
0	0	1,213,000	1,213,000
0	0	114,415	117,452
1,610	0	0	1,610
0	0	72,305	72,305
0	0	54,126	54,126
0	0	679,339	679,339
<u>7,169</u>	<u>0</u>	<u>2,225,108</u>	<u>3,287,791</u>
0	2,390,071	0	2,390,071
0	0	0	1,670,364
0	2,390,071	0	4,060,435
<u>\$7,169</u>	<u>\$2,390,071</u>	<u>\$2,225,108</u>	<u>\$7,348,226</u>

City of Mt. Healthy
Hamilton County, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Property and Other Local Taxes	\$356,838	\$207,937	\$0	\$112,957	\$677,732
Income Taxes	1,041,820	0	0	0	1,041,820
Intergovernmental	463,580	180,520	0	686,933	1,331,033
Charges for Services	433,730	0	0	0	433,730
Fines, Licenses and Permits	157,540	0	0	0	157,540
Special Assessments	0	299	0	0	299
Rent	715	0	0	0	715
Interest	6,547	5,916	0	10,817	23,280
Donations	15,945	0	0	0	15,945
Miscellaneous	79,136	46,753	0	0	125,889
Total Revenues	2,555,851	441,425	0	810,707	3,807,983
Expenditures:					
Current:					
Security of Persons and Property	1,177,148	108,192	0	0	1,285,340
Transportation	0	401,794	0	0	401,794
Public Works	336,135	0	0	0	336,135
Leisure Time Activities	449,673	7,275	0	0	456,948
Community Environment	25,426	0	0	0	25,426
General Government	516,508	0	0	0	516,508
Capital Outlay	24,460	136,671	0	826,938	988,069
Debt Service:					
Principal Retirement	0	15,695	83,494	15,000	114,189
Interest and Fiscal Charges	0	4,753	31,576	10,687	47,016
Total Expenditures	2,529,350	674,380	115,070	852,625	4,171,425
Excess of Revenues Under Expenditures	26,501	(232,955)	(115,070)	(41,918)	(363,442)
Other Financing Sources (Uses):					
Proceeds of Loans	0	88,000	0	0	88,000
Proceeds of Notes	1,213,000	0	0	0	1,213,000
Operating Transfers - In	0	77,151	115,075	93,000	285,226
Operating Transfers - Out	(285,226)	0	0	0	(285,226)
Total Other Financing Sources (Uses)	927,774	165,151	115,075	93,000	1,301,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	954,275	(67,804)	5	51,082	937,558
Fund Balances at Beginning of Year	219,050	211,608	21,999	280,149	732,806
Residual Equity Transfers	79,922	(24,800)	0	(55,122)	0
Fund Balances at End of Year	\$1,253,247	\$119,004	\$22,004	\$276,109	\$1,670,364

See Accompanying Notes to the General Purpose Financial Statements

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City of Mt. Healthy
Hamilton County, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Local Taxes	\$407,601	\$356,838	(\$50,763)	\$213,144	\$204,789	(\$8,355)
Income Taxes	1,384,851	1,139,241	(245,610)	0	0	0
Intergovernmental	229,168	221,203	(7,965)	182,972	179,455	(3,517)
Charges for Services	528,798	418,938	(109,860)	0	0	0
Fines, Licenses and Permits	206,996	159,077	(47,919)	0	0	0
Special Assessments	0	0	0	3,557	299	(3,258)
Rent	1,179	715	(464)	0	0	0
Interest	25,433	6,205	(19,228)	0	93	93
Donations	6,158	15,945	9,787	0	0	0
Miscellaneous	87,339	77,536	(9,803)	25,540	46,746	21,206
Total Revenues	2,877,523	2,395,698	(481,825)	425,213	431,382	6,169
Expenditures:						
Current:						
Security of Persons and Property	498,252	1,172,997	(674,745)	106,626	107,307	(681)
Transportation	0	0	0	274,389	401,261	(126,872)
Public Works	184,090	312,383	(128,293)	0	0	0
Leisure Time Activities	1,223,244	449,673	773,571	0	0	0
Community Environment	173,849	25,426	148,423	0	0	0
General Government	270,596	530,073	(259,477)	0	0	0
Capital Outlay	27,131	22,440	4,691	132,034	137,621	(5,587)
Debt Service:						
Principal Retirement	0	0	0	16,000	15,695	305
Interest and Fiscal Charges	0	0	0	5,000	4,753	247
Total Expenditures	2,377,162	2,512,992	(135,830)	534,049	666,637	(132,588)
Excess of Revenues Over (Under) Expenditures	500,361	(117,294)	(617,655)	(108,836)	(235,255)	(126,419)
Other Financing Sources (Uses):						
Proceeds of Loans	0	0	0	88,000	88,000	0
Proceeds of Notes	0	1,213,000	1,213,000	0	0	0
Operating Transfers - In	8,600	79,922	71,322	0	77,151	77,151
Operating Transfers - Out	(303,075)	(285,226)	17,849	(24,800)	(24,800)	0
Total Other Financing Sources (Uses)	(294,475)	1,007,696	1,302,171	63,200	140,351	77,151
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	205,886	890,402	684,516	(45,636)	(94,904)	(49,268)
Fund Balances at Beginning of Year	156,917	156,917	0	62,942	62,942	0
Fund Balances (Deficit) at End of Year	\$362,803	\$1,047,319	\$684,516	\$17,306	(\$31,962)	(\$49,268)

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$20,738	\$112,957	\$92,219
0	0	0	0	0	0
0	0	0	207,396	428,315	220,919
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	8,000	10,713	2,713
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>236,134</u>	<u>551,985</u>	<u>315,851</u>
0	0	0	0	0	0
0	0	0	0	33,422	(33,422)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	345,226	534,898	(189,672)
0	83,494	(83,494)	15,000	15,000	0
<u>30,599</u>	<u>31,576</u>	<u>(977)</u>	<u>10,687</u>	<u>10,687</u>	<u>0</u>
<u>30,599</u>	<u>115,070</u>	<u>(84,471)</u>	<u>370,913</u>	<u>594,007</u>	<u>(223,094)</u>
<u>(30,599)</u>	<u>(115,070)</u>	<u>(84,471)</u>	<u>(134,779)</u>	<u>(42,022)</u>	<u>92,757</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	115,075	115,075	93,000	93,000	0
0	0	0	0	(55,122)	(55,122)
<u>0</u>	<u>115,075</u>	<u>115,075</u>	<u>93,000</u>	<u>37,878</u>	<u>(55,122)</u>
(30,599)	5	30,604	(41,779)	(4,144)	37,635
<u>21,999</u>	<u>21,999</u>	<u>0</u>	<u>280,149</u>	<u>280,149</u>	<u>0</u>
<u>(\$8,600)</u>	<u>\$22,004</u>	<u>\$30,604</u>	<u>\$238,370</u>	<u>\$276,005</u>	<u>\$37,635</u>

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**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

Reporting Entity

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

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

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

The Mt. Healthy Community Improvement Corporation (CIC) was created as a not for profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC was established in January, 1990, for the purpose of acquiring and developing real property located in the City of Mt. Healthy to increase the opportunities for employment and strengthen the economic development of the City. The CIC is governed by a nine member Board of Trustees, six of which are elected or appointed officials of the City. Because this service entirely benefits the City, the CIC is considered a blended component unit of the City. This activity is presented as a special revenue fund of the City.

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

The City participates in two organizations, which are defined as jointly governed organizations. These organizations are the Center for Local Government and the Hamilton County Municipal League (HCML). These organizations are presented in Note 18 of the General Purpose Financial Statements.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable financial resources.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types." The following categories and fund types are used by the City:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City typically 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 measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

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

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

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

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Type

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

Account Groups

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

Budgetary Process

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 estimated 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 the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the program level within each fund (general fund - security of persons and property, transportation, public works, leisure time activities, community environment, general government, capital outlay and debt service). This is the level at which City Council approves appropriations. The allocation of appropriations between line items within a program may be modified with approval of the Safety Service Director. All other budgetary modifications may only be made by resolution of the City Council.

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.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 cash balances at December 31. 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 2001.

Appropriations

A temporary appropriation measure to control expenditures may be legally enacted 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. During the year several supplemental appropriation measures were passed, although none of these supplements were significant. The budget figures which appear in the statements of budgetary comparisons 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 encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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 is not reappropriated.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The City's Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts." The cash pertaining to the CIC is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

During 2001, the street construction, maintenance and repair special revenue fund expended more than its share of pooled cash and cash equivalents. The fund had a negative cash balance at year end that was eliminated by a short term loan from the general fund. The loan is classified as "Interfund Receivables" and "Interfund Payables" on the combined financial statements.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the general fund during fiscal year 2001 amounted to \$6,547, which includes \$2,923 assigned from other City funds.

For presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents.

Fixed Assets and Depreciation

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

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

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

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

Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions

During the course of normal operations, the City has transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

Nonrecurring or nonroutine permanent transfers of equity between funds and the transfer of residual balances of discontinued funds or projects to the general fund, general capital improvement capital projects fund, or debt service funds (when financed with debt proceeds) are classified as residual equity transfers. During the year, the City had the residual equity transfers to the general fund from the special recreation special revenue fund and Hamilton Avenue improvement capital projects fund in the amounts of \$24,800 and \$55,122, respectively.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

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

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

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than 31 days after year end are considered not to have been paid with current available financial resources. General obligation bonds and long-term notes and loans are recognized as a liability of the general long-term obligations account group until due.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	Will be paid by the funds from which the employees' salaries are paid
Due to Other Governments	Will be paid by the funds from which the employees' salaries are paid and the street construction, maintenance and repair special revenue fund
General Obligation Bonds	Will be paid by the special revenue, debt service, and capital projects funds
Notes	Will be paid by the general fund
Loans	Will be paid by the safety tax special revenue fund

Estimates

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

Total Columns on General Purpose Financial Statements

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The implementation of these statements had no material effect on fund balances as reported at December 31, 2000.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The following budgetary programs had an excess of expenditures over appropriations for the year ended December 31, 2001:

	Excess
General Fund:	
Security of Persons and Property	\$674,745
Public Works	128,293
General Government	259,477
Street Construction, Maintenance and Repair Special Revenue Fund:	
Transportation	138,817
Capital Outlay	4,817
Special Recreation Special Revenue Fund:	
Capital Outlay	950
Building Renovation Loan Consolidation Debt Service Fund:	
Principal Retirement	83,494
Interest and Fiscal Charges	977
CIP Capital Projects Fund:	
Transportation	33,422
Capital Outlay	41,037
Project Fund:	
Capital Outlay	148,635

B. Accountability

The street construction, maintenance and repair special revenue fund had a fund balance deficit at December 31, 2001, in the amount of \$55,588 due to unexpected street repairs that resulted in a negative cash balance. An interfund receivable/payable was established to cover the negative cash balance. The general fund is liable for any deficits in this fund and provides operating transfers when cash is needed rather than when accruals occur.

NOTE 5 - BUDGET TO GAAP RECONCILIATION

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, appropriations and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 5 - BUDGET TO GAAP RECONCILIATION (continued)

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

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

The adjustments necessary to convert the results of operations for the year ended December 31, 2001, on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under)				
Expenditures and Other Financing Uses				
All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$954,275	(\$67,804)	\$5	\$51,082
Adjustments:				
Revenue Accruals	(160,153)	(4,213)	0	(258,722)
Expenditure Accruals	16,358	468	0	258,618
Transfers	79,922	(24,800)	0	(55,122)
Non-budgeted Activity	0	1,445	0	0
Budget Basis	<u>\$890,402</u>	<u>(\$94,904)</u>	<u>\$5</u>	<u>\$4,144</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current 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.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

State statute permits interim monies to be deposited or invested in the following securities:

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

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits

At year end, the carrying amount of the City's deposits was \$1,456,213 and the bank balance was \$1,452,919. Of the bank balance, \$311,593 was covered by federal depository insurance, and \$1,141,326 was uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

Investments

GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City did not have any investments at year end.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

2001 real property taxes are levied after October 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 7 - PROPERTY TAXES (continued)

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$6.61 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$67,459,060
Public Utility Property	5,977,380
Tangible Personal	<u>3,007,070</u>
Total Property Taxes	<u><u>\$76,443,510</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is offset by deferred revenue.

NOTE 8 - INCOME TAX

The City levies a municipal income tax of two percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

In 2001, the income tax proceeds were allocated to the general fund. Income tax revenue for 2001 was \$1,041,820.

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 9 - RECEIVABLES

Receivables at December 31, 2001, consisted of property and other local taxes, income taxes, accounts, interest and intergovernmental receivables arising from grants, fines, fees and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

<u>Fund Type/Fund</u>	<u>Amount</u>
<u>General Fund:</u>	
COPS Grant	\$43,680
School Resource Officer Grant	19,659
Homestead and Rollback	18,475
Shared Income Fund	59,725
Local Government Revenue Assistance	7,822
Undivided Local Government	10,695
Estate Tax	93,459
Security Reimbursement	2,013
Liquor Fees	2,042
Other Receivables	<u>273</u>
Total General Fund	<u>257,843</u>
<u>Special Revenue Funds:</u>	
<u>Street Construction, Maintenance and Repair</u>	
Homestead and Rollback	\$6,012
Motor Vehicle Registration	22,253
Gasoline Cents per Gallon	36,102
State Gasoline Excise Tax	<u>18,227</u>
Total Street Construction, Maintenance and Repair Fund	<u>82,594</u>
<u>State Highway</u>	
Motor Vehicle Registration	1,803
Gasoline Cents per Gallon	2,928
State Gasoline Excise Tax	<u>1,479</u>
Total State Highway Fund	<u>6,210</u>
<u>Safety Tax</u>	
Homestead and Rollback	<u>7,035</u>
Total Special Revenue Funds	<u>95,839</u>
<u>Capital Projects Fund:</u>	
<u>Hill/Martin/Bernard Fund</u>	
Ohio Public Works Commission	<u>48,873</u>
Total All Funds	<u>\$402,555</u>

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 10 - FIXED ASSETS

A summary of the changes in general fixed assets during the year ended December 31, 2001, were as follows:

<u>Asset Category</u>	<u>Balance at December 31, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2001</u>
Land	\$282,200	\$950	\$0	\$283,150
Buildings	255,600	0	0	255,600
Equipment and Vehicles	1,456,145	235,602	53,220	1,638,527
Construction in Progress	0	212,794	0	212,794
Totals	<u>\$1,993,945</u>	<u>\$449,346</u>	<u>\$53,220</u>	<u>\$2,390,071</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and 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 that includes financial statements and required supplementary information for PERS. That report 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. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. 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, 2001, 2000, and 1999 were \$58,526, \$36,935, and \$48,190, respectively. The full amount has been contributed for 2001, 2000 and 1999.

Ohio Police and Fire Pension Fund

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.50 for firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$55,953 and \$3,968 for the year ended December 31, 2001, \$79,758 and \$0 for the year ended December 31, 2000, and \$59,942 and \$0 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 66.93 percent and 73.81 percent, respectively, have been contributed for 2001, with the remainder being reported as a liability in the general long-term obligations account group.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement 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 as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$27,207. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000, the percentage used to fund healthcare was 7.25 percent. 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 City's actual contributions for 2001 that were used to fund postemployment benefits were \$33,115 for police and \$1,804 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Unpaid compensated absences of \$3,037 at December 31, 2001, were reported as an accrued liability in the governmental fund types. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$114,415.

Insurance Benefits

The City has elected to provide employee medical/surgical and life insurance benefits through United Health Insurance for all employees. The City pays 100 percent of the monthly premium for all full time employees and 25 percent for part time employees.

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 13 - EMPLOYEE BENEFITS (continued)

Deferred Compensation

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

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001, the City contracted with Hylant Group for municipal general liability, municipal automobile liability, public officials and employees liability and law enforcement liability insurance. The coverage and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$4,000,000/6,000,000	\$0
Municipal Automobile Liability	4,000,000	250
Property	2,796,128	1,000
Wrongful Acts	4,000,000/6,000,000	2,500
Law Enforcement Liability	4,000,000/6,000,000	2,500
Public Employee Dishonesty	25,000	0
Crime	10,000	0
Inland Marine	314,610	500
EDP Software/Hardware	53,603	1,000
Fire Vehicle	671,000	Various
Electronic Media	100,000	1,000

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 15 – INTERFUND ACTIVITY

Individual interfund receivables and payables balances at December 31, 2001, were as follows:

Fund	Receivable (Due from Other Funds)	Payable (Due to Other Funds)
General	\$5,559	\$0
Agency Fund:		
Mayor's Court	0	5,559
Total	\$5,559	\$5,559

Fund	Interfund Receivable	Interfund Payable
General	\$55,588	\$0
Special Revenue Fund:		
Street Construction, Maintenance and Repair Fund	0	55,588
Total	\$55,588	\$55,588

NOTE 16 – COOPERATIVE PURCHASE AGREEMENT

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

During 2001, the City of Mt. Healthy paid \$15,000, representing half of the down payment on the street sweeper. Annual payments begin in 2002, so there was no principal or interest payment made for the street sweeper during 2001. Payments will be made directly to the City of North College Hill.

The fixed asset acquired by the cooperative purchase agreement has been capitalized in the general fixed assets account group in the amount of \$75,952, which is equal to half of the present value of the future minimum loan payments at the time of acquisition for the City, including the cost of the down payment made by the City. A liability was recorded in the general long-term obligations account group in the amount of \$60,952, which represents future principal payments. The liability is shown as due to other governments on the balance sheet.

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

Date	Payment	Principal	Interest
2002	\$14,274	\$10,921	\$3,353
2003	14,274	11,522	2,752
2004	14,274	12,155	2,119
2005	14,274	12,824	1,450
2006	14,274	13,530	744
Totals	\$71,370	\$60,952	\$10,418

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2001 were as follows:

	Balance at December 31, 2000	Increases	Decreases	Balance at December 31, 2001
<u>General Obligation Bonds:</u>				
Various Purpose (Drive-in) 5.20% - 1997	\$235,208	\$0	\$30,748	\$204,460
Building Improvement 5.20% - 1997	392,625	0	52,746	339,879
Valley Auto Theater 7.50% - 1990	150,000	0	15,000	135,000
TOTAL - General Obligation Bonds	<u>\$777,833</u>	<u>0</u>	<u>\$98,494</u>	<u>\$679,339</u>
<u>Other Long-Term Obligations:</u>				
Aquatic and Community Facility Bond Anticipation Notes	\$0	\$1,213,000	\$0	\$1,213,000
Compensated Absences Payable	144,253	0	29,838	114,415
Loans Payable	0	88,000	15,695	72,305
Police Pension Liability	0	54,126	0	54,126
Due to Other Governments	51,326	91,923	51,326	91,923
TOTAL - Other Long-Term Obligations	<u>195,579</u>	<u>1,447,049</u>	<u>96,859</u>	<u>1,545,769</u>
TOTAL - General Long-Term Obligations	<u>\$973,412</u>	<u>\$1,447,049</u>	<u>\$195,353</u>	<u>\$2,225,108</u>

The Various Purpose (Drive-in) bonds were issued in 1997 in the amount of \$250,000 for a period of ten years with final maturity on March 3, 2007. The bonds were issued at a 5.2% interest rate for the purpose of acquiring and constructing various capital improvements and related appurtenances within the City. Interest is paid semi-annually. The bond issue will be repaid from general fund monies transferred to the loan consolidation debt service fund.

The Building Improvement bonds (Municipal Building Bond) were issued in 1997 in the amount of \$418,000 for a period of ten years for the purpose of making improvements to the municipal building. The bonds were issued at a 5.2% interest rate with final maturity on March 3, 2007. Interest is paid semi-annually. The bond issue will be repaid from general fund monies transferred to the loan consolidation debt service fund.

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

City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

On June 13, 2001, the City issued a one year Aquatic and Community Facility Bond Anticipation Note for \$1,126,250. The note has an interest rate of 3.5% and matures June 13, 2002. Substantially all of the financing arrangements are in place to issue bonds; therefore, the note has been recorded in the General Long-Term Obligations Account Group. The note will be repaid out of the general fund, the fund that received the proceeds.

On January 22, 2001, the City entered into a 5 year loan agreement with Firststar Bank for fire equipment. Payments are to be made twice a year, beginning in June 2001, and ending in December 2005, in the amounts of \$10,224 from the safety tax special revenue fund. A corresponding liability was recorded in the general long-term obligations account group. Principal payments during 2001 totaled \$15,695.

Compensated absences and a portion of due to other governments (which represents the contractually required pension contributions paid outside of the available period), will be paid from the funds from which the employees' salaries are paid. The remaining due to other governments (which represents a cooperative purchase agreement – See Note 16) will be paid from the street construction, maintenance and repair special revenue fund. Loans payable will be paid from the safety tax special revenue fund.

As of December 31, 2001, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,369,234, and the unvoted legal debt margin was \$3,547,058.

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2001, are:

	<u>Various Purpose (Drive-in)</u>	<u>Building Improvement</u>	<u>Valley Auto Theater</u>	<u>Police Pension</u>	<u>Total</u>
2002	\$42,376	\$72,694	\$24,562	\$3,046	\$142,678
2003	42,376	72,694	23,438	3,046	141,554
2004	42,376	72,694	22,312	3,046	140,428
2005	42,376	72,694	21,188	3,046	139,322
2006	42,376	72,694	20,062	3,046	138,196
2007-2011	21,188	36,346	69,000	15,230	141,864
2012-2016	0	0	0	15,230	15,230
2017-2021	0	0	0	15,230	15,230
2022-2026	0	0	0	15,230	15,230
2027-2031	0	0	0	15,230	15,230
2032-2035	0	0	0	10,527	10,527
Totals	<u>\$233,068</u>	<u>\$399,816</u>	<u>\$180,562</u>	<u>\$101,907</u>	<u>\$915,489</u>

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's loan payable at December 31, 2001, are:

	Loan Payable (Principal and Interest)
2002	\$20,448
2003	20,448
2004	20,448
2005	20,448
Totals	\$81,792

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Center for Local Government - The Center for Local Government was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The City does not have any financial interest in or responsibility for the Center. The City's financial contribution during 2001 was immaterial. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Ohio, 45236.

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

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

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

**City of Mt. Healthy
Hamilton County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Payments to the HCML are made from the general fund. The amount the City paid during 2001 was immaterial. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

NOTE 19 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 2001, to December 31, 2001, 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 20 – SUBSEQUENT EVENT

On April 30, 2002, the City issued \$1,250,000 in bonds to refund the bond anticipation notes issued during 2001 for paying part of the cost of constructing, improving and equipping an aquatic and community facility in the City. The bonds are payable over 20 years with variable interest rates from 2% to 5.05%.

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

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

We have audited the financial statements of the City of Mt. Healthy, Ohio (the City), as of and for the years ended December 31, 2001 and December 31, 2002 and have issued our report thereon dated July 18, 2003. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a blended component unit of the City. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mt. Healthy Community Improvement Corporation, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompany schedule of findings as items 2002-01, 2002-02, 2002-03, 2002-04 and 2002-05. We also noted another instance of noncompliance that we have reported to the management of the City in a separate letter dated July 18, 2003.

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 operations 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 judgement, 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. These reportable conditions are described in the accompanying schedule of findings as items 2002-06 and 2002-07.

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

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2002-06 described above as a reportable condition to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated July 18, 2003.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

July 18, 2003

CITY OF MT. HEALTHY, OHIO
Hamilton County
Schedule of Findings
For the Years Ended December 31, 2001 and 2002

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

Finding Number 2002-01

Section 5705.39 of the Ohio Revised Code, in summary, states that the total appropriations from each fund should not exceed the total estimated resources. The City's State Highway, Safety Tax, Building Renovation Loan Consolidation, Hill/Martin/Bernard and Community Improvement Program (CIP) Funds each had appropriations that exceeded estimated revenues.

Finding Number 2002-02

Section 5705.41(B) of the Ohio Revised Code, in summary, states that the City shall not make any expenditure of money unless it has been appropriated. An appropriation is a budgetary control account that represents the total authorized expenditures for a current fiscal period. The City expended and encumbered monies that exceeded the appropriations adopted in the General, Street Construction - Maintenance and Repair, Special Recreation, Building Renovation Loan Consolidation, CIP, Compton Road and Project Funds.

Finding Number 2002-03

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

Finding Number 2002-04

Section 5705.41(D) of the Ohio Revised Code, in summary, states that any expenditure of money shall have attached thereto, a certificate of the fiscal officer which states 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 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.

There are 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.

CITY OF MT. HEALTHY, OHIO
Hamilton County
Schedule of Findings
For the Years Ended December 31, 2001 and 2002

Some of the expenditures tested either had invoices dated prior to the purchase order date, or had no purchase order attached at all.

Finding Number 2002-05

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

The City's Street Construction - Maintenance and Repair Fund carried a negative fund balance either throughout the year or at year end. This negative fund balance indicates that the City overspent the available cash balance in this fund, and therefore, used money from other funds which were established for a different purpose.

Finding Number 2002-06

Fixed Assets

The City has not established any policy for controlling additions to and disposals of fixed assets throughout the year, or for verifying the existence of these fixed assets at year end.

We recommend that the City implement the use of a separate standardized addition and disposal form to control changes in fixed assets during the year, and annually require each department to verify the existence of the fixed assets under their control. We also recommend that the City have a valuation performed to provide a complete accounting of the detail of its' fixed assets.

Finding Number 2002-07

Duplicate Receipts

Our review of the supporting records for the City found that the City did not use duplicate receipts.

We recommend that each department use duplicate receipts for the monies that they collect. At the end of each year, each department should submit their records to the City Auditor.

CITY OF MT. HEALTHY, OHIO
Hamilton County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2001 and 2002

Description	Status	Comments
<i>Government Auditing Standards:</i>		
1. ORC 5705.09(F) - establishing funds - Ohio Public Works Commission monies	Corrected	N/A
2. ORC 5705.39 - appropriations should not exceed the total estimated resources.	Not fully corrected	The Auditor will monitor this situation more closely.
3. ORC 5705.41(D) - money is not to be spent without an approved purchase order.	Not fully corrected	The Auditor will monitor this situation more closely.
4. ORC 5705.41(B) - money is not to be spent unless it has been appropriated.	Not fully corrected	The Auditor will monitor this situation more closely.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

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
SEPTEMBER 25, 2003**