

**CITY OF MT. HEALTHY, OHIO**

**Financial Statements**

**Year Ended December 31, 2005**

**Report of Independent Auditors**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Mount Healthy, Hamilton County, prepared by Cassady Schiller & Associates Inc. for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 19, 2008

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**CITY OF MT. HEALTHY, OHIO**  
**GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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Report of Independent Auditors

To City Council  
City of Mt. Healthy, Ohio



We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mt. Healthy's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a discretely presented component unit of the City of Mt. Healthy. Those financial statements were audited by other accountants 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 accountants.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Ohio, as of December 31, 2005, and the respective changes in financial position, and the budgetary comparisons for the General Fund and Safety Tax Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007 on our consideration of the City of Mt. Healthy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in black ink that reads 'CSA'.

November 2, 2007

CERTIFIED PUBLIC ACCOUNTANTS

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**CITY OF MT. HEALTHY, OHIO**  
*Management's Discussion and Analysis*  
*For The Year Ended December 31, 2005*  
*(Unaudited)*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis (MD&A) of the City of Mt. Healthy's financial performance provides an overview of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter, the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets increased \$500,139.
- General revenues accounted for \$3,188,404 or 81 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$748,548 or 19 percent of total governmental revenues of \$3,936,952.
- The City had \$3,436,813 in expenses; only \$748,548 of these expenses were offset by program specific charges for services and sales, grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Mt. Healthy's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

**REPORTING THE CITY AS A WHOLE**

One of the most important questions asked about the City is "How did we do financially during 2005?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

### *Fund Financial Statements*

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

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

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



## THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2005 compared to 2004.

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

	Governmental Activities		
	2005	2004	Change
<b>ASSETS:</b>			
Current and Other Assets	\$2,559,890	\$2,149,871	\$410,019
Nondepreciable Capital Assets	118,290	118,290	0
Depreciable Capital Assets, Net	2,226,355	2,225,497	858
Total Assets	<u>4,904,535</u>	<u>4,493,658</u>	<u>410,877</u>
<b>LIABILITIES:</b>			
Current and Other Liabilities	1,083,582	1,009,334	74,248
Long-Term Liabilities:			
Due Within One Year	203,032	199,787	3,245
Due in More Than One Year	1,562,231	1,728,986	(166,755)
Total Liabilities	<u>2,848,845</u>	<u>2,938,107</u>	<u>(89,262)</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets,			
Net of Related Debt	762,548	590,925	171,623
Restricted	587,780	314,510	273,270
Unrestricted	705,362	650,116	55,246
Total Net Assets	<u>\$2,055,690</u>	<u>\$1,555,551</u>	<u>\$500,139</u>

Net assets increased \$500,139. This was primarily due to an increase in cash related to increases in intergovernmental revenues, offset by a decrease in cash used for capital asset acquisitions and minimal increases in other expenses.

Table 2 shows the changes in net assets for the year ended December 31, 2005 compared to 2004.

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

	Governmental Activities		
	2005	2004	Change
REVENUES:			
Program Revenues:			
Charges for Services and Sales	\$644,225	\$589,585	\$54,640
Operating Grants and Contributions	9,231	34,147	(24,916)
Capital Grants and Contributions	95,092	741,766	(646,674)
Total Program Revenues	<u>748,548</u>	<u>1,365,498</u>	<u>(616,950)</u>
General Revenues:			
Property and Other Local Taxes	1,057,303	690,583	366,720
Income Taxes	1,164,944	1,116,271	48,673
Grants and Entitlements not Restricted for Specific Purposes	866,093	481,785	384,308
Unrestricted Investment Earnings	1,083	977	106
Miscellaneous	98,981	27,491	71,490
Total General Revenues	<u>3,188,404</u>	<u>2,317,107</u>	<u>871,297</u>
Total Revenues	<u>3,936,952</u>	<u>3,682,605</u>	<u>254,347</u>
PROGRAM EXPENSES:			
General Government	663,675	583,486	80,189
Security of Persons and Property	1,611,817	1,402,905	208,912
Public Works	393,460	344,675	48,785
Leisure Time Activities	197,462	167,397	30,065
Community Environment	88,534	80,730	7,804
Transportation	399,824	416,876	(17,052)
Interest and Fiscal Charges	82,041	87,370	(5,329)
Total Expenses	<u>3,436,813</u>	<u>3,083,439</u>	<u>353,374</u>
Increase in Net Assets	500,139	599,166	(99,027)
Net Assets, January 1, 2005 (Restated - Note 3)	<u>1,555,551</u>	<u>956,385</u>	<u>599,166</u>
Net Assets, December 31, 2005	<u>\$2,055,690</u>	<u>\$1,555,551</u>	<u>\$500,139</u>

Property and other local taxes increased by \$366,720 due to an increased fire levy which was used to provide 24 hour fire staffing and purchase new equipment. Grants and entitlements not restricted for specific purposes increased by \$384,308 due primarily to the receipt of large inheritance tax settlements during the year.

Program expenses for security of persons and property increased by \$208,912. This was due to an increase in fire staffing to provide 24 hour service.

## ***Governmental Activities***

The 1.5 percent income tax is the largest source of revenue for the General Fund and the City of Mt. Healthy. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council.

Governmental program expenses for 2005 were as follows:

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

	Total Cost Of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$663,675	(\$523,313)	\$583,486	(\$438,814)
Security of Persons and Property	1,611,817	(1,467,498)	1,402,905	(1,247,454)
Public Works	393,460	(61,429)	344,675	(75,782)
Leisure Time Activities	197,462	(175,005)	167,397	(146,137)
Community Environment	88,534	(74,247)	80,730	(47,274)
Transportation	399,824	(304,732)	416,876	324,890
Interest and Fiscal Charges	82,041	(82,041)	87,370	(87,370)
Total Expenses	<u>\$3,436,813</u>	<u>(\$2,688,265)</u>	<u>\$3,083,439</u>	<u>(\$1,717,941)</u>

When looking at the sources of income to support governmental activities, it should be noted that charges for services are 16 percent of total revenues. Revenues provided by sources other than City residents in the form of operating and capital grants and contributions comprise only 3 percent of total revenues. The remaining revenues are primarily generated locally through property and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed.

## **THE CITY'S FUNDS**

Information about the City's major governmental funds begins on page 12. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,964,734 and expenditures of \$3,602,816. The General Fund's balance increased by \$129,300, primarily due to an increase in property and other local taxes and intergovernmental revenue, offset by only slight increases in overall expenditures. The Safety Tax Fund's balance increased by \$29,786, due to a large increase in property and other local taxes. The Capital Improvement Fund's balance increased by \$246,202, primarily due to savings in capital expenditures.

### ***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts and disbursements. The City's budget is adopted at the object level (personal services and other expenditures) within each department and fund by City Council in the form of an appropriations resolution.

Original General Fund budgeted revenues were \$2,659,290. The final budgeted amount was \$2,988,581. The 12 percent increase was primarily due to increases in property and other local taxes and income tax revenues. Final actual revenues were \$2,992,527 at year-end, which represented a less than 1 percent increase over final budgeted revenues. This is due to the City's diligent monitoring of budgetary controls and consistent adjustments of estimated revenues as changes occur.

Original General Fund appropriations were \$2,407,229. Final appropriations were \$2,469,329. This represented an increase of only 2.5 percent. The City's final actual expenditures were \$2,429,239 at year-end, which represented only a slight decrease of 1.62 percent from final budgeted expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

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

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u> <u>(Restated)</u>
Land	\$118,290	\$118,290
Land Improvements	178,282	144,904
Buildings and Building Improvements	933,494	960,893
Equipment and Vehicles	474,598	455,748
Infrastructure	639,981	663,952
Totals	<u>\$2,344,645</u>	<u>\$2,343,787</u>

The increase in capital assets was the result of additions of land improvements and equipment and vehicles, offset by additions to depreciation and deletions in 2005.

See note 9 of the notes to the basic financial statements for more detailed information.

## **Debt**

At December 31, 2005, the City of Mt. Healthy had \$1,568,954 in debt outstanding.

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

	Governmental Activities	
	2005	2004
Various Purpose General Obligation Refunding Bonds	\$292,754	\$383,885
Valley Auto Theater Property General Obligation Bonds	75,000	90,000
Aquatic Facilities General Obligation Bonds	1,145,000	1,170,000
Police Vehicles General Obligation Refunding Bonds	56,200	83,000
	<u>\$1,568,954</u>	<u>\$1,726,885</u>

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

The City's overall 10.5 percent legal debt margin was \$8,461,858 as of December 31, 2005. The more restrictive unvoted legal debt margin was \$3,685,281 as of the same date. See Note 15 of the notes to the basic financial statements for more detailed information.

### **CURRENT FINANCIAL CHALLENGES AND INITIATIVES**

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

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

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

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

BASIC FINANCIAL STATEMENTS

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Mt. Healthy Community Improvement Corporation</u>
<b>ASSETS</b>		
Equity in Pooled Cash and Cash Equivalents	\$939,369	\$0
Cash in Segregated Accounts	9,596	
Accounts Receivable	16,861	0
Intergovernmental Receivable	341,612	0
Income Taxes Receivable	311,056	0
Property and Other Local Taxes Receivable	941,396	0
Cash with Fiscal Agents	0	100,103
Nondepreciable Capital Assets	118,290	0
Depreciable Capital Assets, Net	2,226,355	0
<b>Total Assets</b>	<u>4,904,535</u>	<u>100,103</u>
<b>LIABILITIES</b>		
Accounts Payable	54,013	0
Accrued Wages and Benefits	54,740	0
Intergovernmental Payable	126,450	0
Accrued Interest Payable	12,932	0
Deferred Revenue	835,447	0
Long-Term Liabilities:		
Due Within One Year	203,032	0
Due in More Than One Year	1,562,231	0
<b>Total Liabilities</b>	<u>2,848,845</u>	<u>0</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	762,548	0
Restricted for:		
Capital Outlay	388,832	0
Transportation	127,043	0
Security of Persons and Property	71,905	0
Unrestricted	705,362	100,103
<b>Total Net Assets</b>	<u>\$2,055,690</u>	<u>\$100,103</u>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Revenues			Net (Expense)Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Mt. Healthy Community Improvement Corporation
Governmental Activities:						
General Government	\$663,675	\$140,362	\$0	\$0	(\$523,313)	\$0
Security of Persons and Property	1,611,817	137,263	7,056	0	(1,467,498)	0
Public Works	393,460	332,031	0	0	(61,429)	0
Leisure Time Activities	197,462	22,457	0	0	(175,005)	0
Community Environment	88,534	12,112	2,175	0	(74,247)	0
Transportation	399,824	0	0	95,092	(304,732)	0
Interest and Fiscal Charges	82,041	0	0	0	(82,041)	0
Total Governmental Activities	<u>\$3,436,813</u>	<u>\$644,225</u>	<u>\$9,231</u>	<u>\$95,092</u>	<u>(2,688,265)</u>	<u>0</u>
Component Unit:						
Mt. Healthy Community Improvement Corporation	<u>\$17,316</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>	<u>(17,316)</u>
General Revenues:						
Taxes						
Property and Other Local Taxes Levied For:						
General Purposes					488,577	0
Capital Outlay					104,450	0
Street Maintenance and Repair					70,593	
Security of Persons and Property					393,683	0
Income Taxes					1,164,944	0
Grants and Entitlements not Restricted to Specific Programs					866,093	0
Unrestricted Investment Earnings					1,083	536
Miscellaneous					98,981	10
Total General Revenues					<u>3,188,404</u>	<u>546</u>
Change in Net Assets					500,139	(16,770)
Net Assets Beginning of Year - Restated (See Note 3)					<u>1,555,551</u>	<u>116,873</u>
Net Assets End of Year					<u>\$2,055,690</u>	<u>\$100,103</u>

See accompanying notes to the basic financial statements



**CITY OF MT HEALTHY, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	<u>GENERAL</u>	<u>SAFETY TAX</u>	<u>CAPITAL IMPROVEMENT</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Equity in Pooled Cash and					
Cash Equivalents	\$487,063	\$63,777	\$286,875	\$101,654	\$939,369
Cash in Segregated Accounts	9,596	0	0	0	9,596
Intergovernmental Receivable	202,036	12,470	0	127,106	341,612
Income Taxes Receivable	311,056	0	0	0	311,056
Property and Other Local Taxes Receivable	380,340	412,527	113,416	35,113	941,396
Accounts Receivable	16,861	0	0	0	16,861
<b>Total Assets</b>	<u>\$1,406,952</u>	<u>\$488,774</u>	<u>\$400,291</u>	<u>\$263,873</u>	<u>\$2,559,890</u>
<b>LIABILITIES</b>					
Accounts Payable	\$39,270	\$3,470	\$0	\$11,273	\$54,013
Accrued Wages and Benefits	42,285	7,540	0	4,915	54,740
Intergovernmental Payable	92,562	25,859	0	8,029	126,450
Deferred Revenue	665,152	424,997	113,416	137,802	1,341,367
<b>Total Liabilities</b>	<u>839,269</u>	<u>461,866</u>	<u>113,416</u>	<u>162,019</u>	<u>1,576,570</u>
<b>FUND BALANCES</b>					
Unreserved, Undesignated, Reported in:					
General Fund	567,683	0	0	0	567,683
Special Revenue Funds	0	26,908	0	8,840	35,748
Debt Service Fund	0	0	0	105	105
Capital Projects Funds	0	0	286,875	92,909	379,784
<b>Total Fund Balances</b>	<u>567,683</u>	<u>26,908</u>	<u>286,875</u>	<u>101,854</u>	<u>983,320</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$1,406,952</u>	<u>\$488,774</u>	<u>\$400,291</u>	<u>\$263,873</u>	<u>\$2,559,890</u>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND**  
**BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2005**

Total Governmental Fund Balances \$983,320

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

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

Land	118,290	
Infrastructure	663,952	
Other capital assets	3,119,356	
Accumulated depreciation	<u>(1,556,953)</u>	
Total capital assets		2,344,645

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

Property Taxes and Other Local Taxes	70,836	
Due From Other Governments		
Estate Taxes	13,862	
Shared Taxes and Local Government Revenue Assistance	237,618	
Income Taxes	<u>183,604</u>	
		505,920

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

Bonds	(1,568,954)	
Police Pension	(50,911)	
Cooperative Purchase Agreement	(13,143)	
Compensated Absences	<u>(132,255)</u>	
Total liabilities		(1,765,263)

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

Accrued Interest	<u>(12,932)</u>
------------------	-----------------

Net Assets of Governmental Activities \$2,055,690

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>GENERAL</u>	<u>SAFETY TAX</u>	<u>CAPITAL IMPROVEMENT</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$480,517	\$368,986	\$101,942	\$70,593	\$1,022,038
Income Taxes	1,192,299	0	0	0	1,192,299
Charges for Services	491,868	0	0	0	491,868
Fines, Licenses and Permits	151,957	0	0	0	151,957
Intergovernmental	521,717	50,555	204,327	227,334	1,003,933
Interest	1,083	0	0	0	1,083
Rent	400	0	0	0	400
Donations	2,175	0	0	0	2,175
Other	35,947	8,942	33,256	20,836	98,981
<b>Total Revenues</b>	<b>2,877,963</b>	<b>428,483</b>	<b>339,525</b>	<b>318,763</b>	<b>3,964,734</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General Government	647,554	0	0	0	647,554
Security of Persons and Property	1,115,955	452,708	0	0	1,568,663
Public Works	393,460	0	0	0	393,460
Leisure Time Activities	154,539	0	0	0	154,539
Community Environment	88,534	0	0	0	88,534
Transportation	0	0	0	339,670	339,670
Capital Outlay	46,502	15,275	93,323	0	155,100
<b>Debt Service:</b>					
Principal Retirement	855	12,714	0	158,051	171,620
Interest and Fiscal Charges	2,191	0	0	81,485	83,676
<b>Total Expenditures</b>	<b>2,449,590</b>	<b>480,697</b>	<b>93,323</b>	<b>579,206</b>	<b>3,602,816</b>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>428,373</b>	<b>(52,214)</b>	<b>246,202</b>	<b>(260,443)</b>	<b>361,918</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	0	82,000	0	217,073	299,073
Transfers Out	(299,073)	0	0	0	(299,073)
<b>Total Other Financing Sources (Uses)</b>	<b>(299,073)</b>	<b>82,000</b>	<b>0</b>	<b>217,073</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>129,300</b>	<b>29,786</b>	<b>246,202</b>	<b>(43,370)</b>	<b>361,918</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>438,383</b>	<b>(2,878)</b>	<b>40,673</b>	<b>145,224</b>	<b>621,402</b>
<b>Fund Balances at End of Year</b>	<b>\$567,683</b>	<b>\$26,908</b>	<b>\$286,875</b>	<b>\$101,854</b>	<b>\$983,320</b>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Net Change in Fund Balances - Total Governmental Funds \$361,918

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

Capital outlays are reported as expenditures in governmental funds.

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

Capital Asset Additions	140,320	
Current Year Depreciation	(123,636)	
	16,684	16,684

When capital assets are disposed of, the cost of the capital assets is removed  
from the capital asset account in the Statement of Net Assets resulting in a loss  
on disposal of capital assets in the Statement of Activities.

Loss on Disposal of Capital Assets		(15,826)
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Because some revenues will not be collected for several months after the City's year-end,  
they are not considered "available" revenues and are deferred in the governmental funds.

Property and Other Local Taxes	35,265	
Shared Taxes and Local Government Revenue Assistance	(35,692)	
Income Taxes	(27,355)	
	(27,782)	(27,782)

Repayment of long-term debt is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the Statement of  
Net Assets.

Bond Principal Retirement	157,931	
Police Pension Principal Retirement	855	
Intergovernmental Payable	12,834	
Total Long-term Debt Repayment	171,620	171,620

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

Increase in Compensated Absences	(8,110)	
Decrease in Accrued Interest	1,635	
Total additional expenditures	(6,475)	(6,475)

Change in Net Assets of Governmental Activities \$500,139

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES:</b>				
Property and Other Local Taxes	\$332,635	\$401,382	\$480,517	\$79,135
Income Taxes	1,101,636	1,225,000	1,191,704	(33,296)
Charges for Services	429,418	477,505	484,845	7,340
Fines, Licenses and Permits	163,915	182,270	153,338	(28,932)
Intergovernmental	616,821	685,894	642,597	(43,297)
Interest	944	1,050	1,530	480
Rent	450	500	400	(100)
Donations	2,248	2,500	2,175	(325)
Other	11,223	12,480	35,421	22,941
<b>Total Revenues</b>	<b>2,659,290</b>	<b>2,988,581</b>	<b>2,992,527</b>	<b>3,946</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General Government	563,311	670,388	634,929	35,459
Security of Persons and Property	1,137,053	1,111,507	1,110,430	1,077
Public Works	375,179	393,279	391,007	2,272
Leisure Time Activities	150,069	153,069	152,999	70
Community Environment	83,900	90,900	90,326	574
Capital Outlay	94,671	47,140	46,502	638
<b>Debt Service:</b>				
Principal Retirement	855	855	855	0
Interest and Fiscal Charges	2,191	2,191	2,191	0
<b>Total Expenditures</b>	<b>2,407,229</b>	<b>2,469,329</b>	<b>2,429,239</b>	<b>40,090</b>
<b>Excess of Revenues Over Expenditures</b>	<b>252,061</b>	<b>519,252</b>	<b>563,288</b>	<b>44,036</b>
<b>OTHER FINANCING USES:</b>				
Transfers Out	(292,073)	(299,073)	(299,073)	0
<b>Net Change in Fund Balance</b>	<b>(40,012)</b>	<b>220,179</b>	<b>264,215</b>	<b>44,036</b>
<b>Fund Balance at Beginning of Year</b>	<b>222,848</b>	<b>222,848</b>	<b>222,848</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$182,836</b>	<b>\$443,027</b>	<b>\$487,063</b>	<b>\$44,036</b>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**SAFETY TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Property and Other Local Taxes	\$371,765	\$364,794	\$368,986	\$4,192
Intergovernmental	44,868	57,462	50,555	(6,907)
Other	6,123	7,841	8,942	1,101
Total Revenues	<u>422,756</u>	<u>430,097</u>	<u>428,483</u>	<u>(1,614)</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	482,720	473,818	429,677	44,141
Capital Outlay	8,000	16,902	15,275	1,627
Debt Service:				
Principal Retirement	12,714	12,714	12,714	0
Total Expenditures	<u>503,434</u>	<u>503,434</u>	<u>457,666</u>	<u>45,768</u>
Excess of Revenues Over (Under) Expenditures	(80,678)	(73,337)	(29,183)	44,154
OTHER FINANCING SOURCES:				
Transfers In	82,000	82,000	82,000	0
Net Change in Fund Balance	1,322	8,663	52,817	44,154
Fund Balance at Beginning of Year	<u>10,960</u>	<u>10,960</u>	<u>10,960</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$12,282</u></u>	<u><u>\$19,623</u></u>	<u><u>\$63,777</u></u>	<u><u>\$44,154</u></u>

See accompanying notes to the basic financial statements

**CITY OF MT. HEALTHY, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**DECEMBER 31, 2005**

**ASSETS:**

Equity in Pooled Cash and Cash Equivalents	\$2,764
Cash in Segregated Accounts	2,138

Total Assets \$4,902

**LIABILITIES:**

Intergovernmental Payable	\$2,088
Undistributed Monies	50
Deposits Held and Due to Others	2,764

Total Liabilities \$4,902

See accompanying notes to the basic financial statements

***CITY OF MT. HEALTHY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005***

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

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

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

**Reporting Entity**

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

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

The City participates in two organizations which are defined as jointly governed organizations. These organizations are the Center for Local Government and the Hamilton County Municipal League (HCML). These organizations are presented in Note 16 of the Basic Financial Statements.

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



**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

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

The information in Notes 2 through 17 relate to the primary government. Information for the CIC is presented in Note 18.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The financial statements of the City of Mt. Healthy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict or contradict with GASB pronouncements. The more significant of the City's accounting policies are described below.

**Basis of Presentation**

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Fund Accounting**

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Governmental Funds**

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

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

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

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

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The City's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has two agency funds which are used to account for the collection and distribution of court fees and for distribution of payroll related taxes and withholdings.

**Measurement Focus**

**Government-Wide Financial Statements**

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Fund Financial Statements**

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

**Basis of Accounting**

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

**Deferred Revenues**

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

**Expenses/Expenditures**

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

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

**Cash and Cash Equivalents**

To improve cash management, all cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash and cash equivalents that are held separately for the Mayor's court and not held in the cash management pool are recorded on the financial statements as "Cash in Segregated Accounts." The cash pertaining to the CIC is presented on the Statement of Net Assets as "Cash with Fiscal Agents."

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are reported on the financial statements as cash equivalents. The City had no investments during the year or at December 31, 2005.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2005 amounted to \$1,083, which includes \$385 assigned from other City funds.

**Capital Assets**

All of the City's capital assets are classified as general capital assets. General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

<u>Descriptions</u>	<u>Estimated Life</u>
Land Improvements	10-25 years
Buildings and Building Improvements	20-30 years
Equipment and Vehicles	3-20 years
Infrastructure	10-60 years

The City's infrastructure consists of streets, curbs and gutters, sidewalks and street lighting. The City reported infrastructure for the first time in 2004 and is only reporting infrastructure additions prospectively.

**Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

**Accrued Liabilities and Long-Term Debt**

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

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

**Net Assets**

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

The government-wide Statement of Net Assets reports \$587,780 of restricted net assets, of which \$406,953 are restricted by enabling legislation.

**Estimates**

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Budgets and Budgetary Accounting**

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

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

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS**

**Change in Accounting Principles**

For 2005, the City has implemented GASB Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*", GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*", and GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34*".

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the City's financial statements for 2005.



**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS** (continued)

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the City’s financial statements for 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied when determining whether net assets should be classified as restricted. The implementation of this new statement had no effect on the City’s financial statement for 2005.

**Restatement of Prior Year Net Assets**

In 2005, it was discovered that accumulated depreciation for capital assets was understated. This resulted in the following restatement of net assets at December 31, 2004:

	<u>Governmental Activities</u>
Net Assets at 12/31/04	\$1,671,183
Restatement of Accumulated Depreciation	(115,632)
Net Assets at 12/31/04, Restated	<u><u>\$1,555,551</u></u>

**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 and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented for the General Fund and the Safety Tax Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 4 - BUDGET TO GAAP RECONCILIATION** (continued)

- c. Unrecorded cash represents amounts received but not included on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance		
	General	Safety Tax
GAAP Basis	\$129,300	\$29,786
Revenue Accruals	124,160	0
Expenditure Accruals	20,351	23,031
Unrecorded Cash	(9,596)	0
Budget Basis	\$264,215	\$52,817

**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 accounts, including passbook accounts.

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

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

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

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$822,407 of the City's bank balance of \$1,022,407 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

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 (other than public utility) located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 6 - PROPERTY TAXES** (continued)

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2005, was \$11.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Property	\$88,580,830	92.73%
Public Utility Personal	5,172,880	5.41%
Tangible Personal	<u>1,777,830</u>	<u>1.86%</u>
Total Property Taxes	<u><u>\$95,531,540</u></u>	<u><u>100.00%</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mt. Healthy. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**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 2005, income tax proceeds were allocated to the General Fund.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2005, consisted of taxes, accounts and intergovernmental receivables arising from grants, fines, fees and shared revenues. All receivables are considered fully collectible and will be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Homestead and Rollback	\$38,980
Estate Tax	55,449
Local Government Revenue Assistance	7,959
Undivided Local Government	10,015
Shared Income	55,235
State Gasoline Excise Tax	65,380
Motor Vehicle Registration	20,638
Gasoline Cents Per Gallon	34,907
Security Reimbursement	4,753
CDBG Reimbursement	44,680
Recycling Reimbursement	3,616
Total	<u>\$341,612</u>

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance At 12/31/2004 (Restated)	Additions	Deletions	Balance At 12/31/2005
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$118,290	\$0	\$0	\$118,290
Depreciable Capital Assets:				
Land Improvements	244,154	53,820	(31,600)	266,374
Buildings and Building Improvements	1,172,910	0	(5,600)	1,167,310
Equipment and Vehicles	1,676,172	86,500	(77,000)	1,685,672
Infrastructure	663,952	0	0	663,952
Total Depreciable Capital Assets	3,757,188	140,320	(114,200)	3,783,308
Less Accumulated Depreciation:				
Land Improvements	(99,250)	(9,992)	21,150	(88,092)
Buildings and Building Improvements	(212,017)	(22,023)	224	(233,816)
Equipment and Vehicles	(1,220,424)	(67,650)	77,000	(1,211,074)
Infrastructure	0	(23,971)	0	(23,971)
Total Accumulated Depreciation	(1,531,691)	(123,636) *	98,374	(1,556,953)
Depreciable Capital Assets, Net	2,225,497	16,684	(15,826)	2,226,355
Governmental Activities Capital Assets, Net	\$2,343,787	\$16,684	(\$15,826)	\$2,344,645

\* Depreciation expense was charged to governmental programs as follows:

General Government	\$2,361
Security of Persons and Property	41,050
Leisure Time Activities	32,050
Transportation	48,175
Total Depreciation Expense	<u>\$123,636</u>

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

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

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$53,747, \$64,764, and \$56,280 respectively; 81.55 percent has been contributed for 2005 and 100 percent for 2004 and 2003. There were no contributions made to the member-directed plan for 2005.



**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters for the years ended December 31, 2005, 2004 and 2003 were \$81,047, \$72,933 and \$108,878 respectively, equal to the required contributions for each year. The full amount has been contributed for 2004 and 2003. 75.37 percent has been contributed for 2005 with the remainder being reported as a liability.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 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 at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual City contributions for 2005 which were used to fund postemployment benefits were \$22,512. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Ohio Police and Fire Pension Fund**

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$52,234 for police and firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

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, 2005, the unfunded liability of the City was \$50,911, payable in semiannual installments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported on the government-wide financial statements.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Insurance Benefits**

The City has elected to provide employee medical/surgical and life insurance benefits through Anthem Blue Cross/Blue Shield for all employees. The City pays 100 percent of the monthly premium for all full-time employees under the family plan and the non-family plan. The City pays 75 percent of the monthly premium for spouses and dependents of full-time employees under the family plan. The City provides employee dental insurance through MetLife only for full-time employees. The City pays 100 percent of dental insurance for all full-time employees and their families.

**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 2005, the City contracted with Hylant Group for insurance. The coverage and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$3,000,000/5,000,000	\$0
Employers Liability (Ohio Stop Gap)	3,000,000	0
Employee Benefits Liability	1,000,000/3,000,000	0
Municipal Automobile Liability	3,000,000	Various
Property	2,762,000	1,000
Law Enforcement Liability	3,000,000/5,000,000	2,500
Public Officials' Liability	3,000,000/5,000,000	2,500
Crime	25,000	100
Inland Marine	244,550	500
EDP Software/Hardware	51,896	1,000
Fire Vehicle	671,000	250
Boiler and Machinery Coverage	2,762,000	1,000
Electronic Media	100,000	1,000

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

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 14 – TRANSFERS FROM/TO OTHER FUNDS**

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

	Transfers To		
	Safety Tax Fund	Nonmajor Governmental Funds	Total
Transfers From General Fund	<u>\$82,000</u>	<u>\$217,073</u>	<u>\$299,073</u>

Transfers from the General Fund to the Safety Tax Special Revenue Fund were made for operating monies for the Fire Department. Transfers from the General Fund to the Nonmajor Governmental Funds were made for scheduled debt service payments.

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations during 2005 were as follows:

	Balance at December 31, 2004	Increase	Decrease	Balance at December 31, 2005	Amounts Due in One Year
<b><u>General Obligation Bonds:</u></b>					
Various Purpose Refunding Bonds					
3.46% - 2003	\$383,885	\$0	\$91,131	\$292,754	\$94,285
Valley Auto Theater Property Bonds					
7.50% - 1990	90,000	0	15,000	75,000	15,000
Aquatic Facilities Bonds					
2.00% to 5.00% - 2002	1,170,000	0	25,000	1,145,000	25,000
Police Vehicles Refunding Bonds					
3.16% - 2003	83,000	0	26,800	56,200	27,700
<b>TOTAL - General Obligation Bonds</b>	<u>1,726,885</u>	<u>0</u>	<u>157,931</u>	<u>1,568,954</u>	<u>161,985</u>
<b><u>Other Long-Term Obligations:</u></b>					
Compensated Absences Payable	124,145	68,232	60,122	132,255	27,012
Cooperative Purchase Agreement	25,977	0	12,834	13,143	13,143
Police Pension Liability	51,766	0	855	50,911	892
<b>TOTAL - Other Long-Term Obligations</b>	<u>201,888</u>	<u>68,232</u>	<u>73,811</u>	<u>196,309</u>	<u>41,047</u>
<b>TOTAL - General Long-Term Obligations</b>	<u>\$1,928,773</u>	<u>\$68,232</u>	<u>\$231,742</u>	<u>\$1,765,263</u>	<u>\$203,032</u>

**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 15 - LONG-TERM OBLIGATIONS** (continued)

The Various Purpose Refunding Bonds were issued in 2003 in the amount of \$471,969 for a period of five years with final maturity on August 20, 2008. The bonds were issued at a 3.46% interest rate for the purpose of refunding the 1997 Various Purpose and 1997 Building Improvement General Obligation Bonds as well as the 2001 Fire Equipment Loan. Interest is paid annually. The bond issue will be repaid from General Fund monies transferred to the 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 property taxes received in the Compton Road Capital Projects Fund.

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

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

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

On May 12, 2001, the City entered into a cooperative purchase agreement with the City of North College Hill to purchase a 2000 Street Sweeper. The City of North College Hill obtained a loan from Fifth/Third Bank in the amount of \$121,905. There was a down payment required of \$30,000. The agreement states that the City of Mt. Healthy is to pay half of the down payment, half of all required loan payments, and half of any insurance and maintenance costs. Upon default by the City of Mt. Healthy, the street sweeper would belong solely to the City of North College Hill. Mt. Healthy's portion of the loan will be repaid from General Fund monies transferred to the Street Maintenance and Repair 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 original liability was \$51,766. The liability is payable semiannually from the General Fund.

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,461,858, and the unvoted legal debt margin

**CITY OF MT. HEALTHY, OHIO**  
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was \$3,685,281.

**NOTE 15 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the City's outstanding bond obligations at December 31, 2005, are:

	General Obligation Bonds	
	Principal	Interest
2006	\$161,985	\$75,181
2007	181,047	68,994
2008	170,922	61,893
2009	75,000	54,938
2010	75,000	51,263
2011-2015	350,000	209,588
2016-2020	450,000	105,875
2021	105,000	5,775
Total	<u>\$1,568,954</u>	<u>\$633,507</u>

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

Year Ending Date	Principal	Interest	Total Payment
2006	\$13,143	\$158	\$13,301

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**Center for Local Government**

The Center for Local Government (the Center) was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Center is governed by a five member board of trustees. Each of the trustees is the chief administrative officer of the entity that they represent. Trustees are volunteer members, ratified by the general members of the Center. The City does not have any financial interest in or responsibility for the Center. The amount the City contributed during 2005 was immaterial. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio, 45236.

**CITY OF MT. HEALTHY, OHIO**  
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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**Hamilton County Municipal League (HCML)**

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

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

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

Payments to the HCML are made from the General Fund. The amount the City paid during 2005 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 17 - CONTINGENT LIABILITIES**

**Litigation**

The City is not party to any legal proceedings.

**Federal and State Grants**

For the period January 1, 2005, to December 31, 2005, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.



**CITY OF MT. HEALTHY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 18 – MT. HEALTHY COMMUNITY IMPROVEMENT CORPORATION**

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

**Basis of Accounting**

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

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

To City Council  
City of Mt. Healthy, Ohio



We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2007. We did not audit the financial statements of the Mt. Healthy Community Improvement Corporation, a discretely presented component unit of the City of Mt. Healthy. Those financial statements were audited by other accountants 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 accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Mt. Healthy'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Mt. Healthy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

We noted certain other matters that we reported to management of the City of Mt. Healthy in a separate letter dated November 2, 2007.

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

A handwritten signature in black ink, consisting of the letters 'CSA' in a stylized, cursive font.

November 2, 2007

**CERTIFIED PUBLIC ACCOUNTANTS**

4705 Lake Forest Drive  
Cincinnati, Ohio 45242  
513/483.6699 Fax: 513.483.6690  
800/378.8606





**Mary Taylor, CPA**  
Auditor of State

**CITY OF MOUNT HEALTHY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2008**