

**CITY OF MT. HEALTHY
HAMILTON COUNTY, OHIO
FINANCIAL STATEMENTS
December 31, 2010**

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

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REPORT OF INDEPENDENT ACCOUNTANTS

To City Council
City of Mt. Healthy
Hamilton County, Ohio

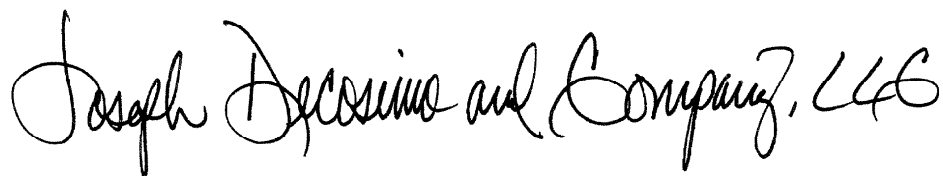
We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mt. Healthy, Hamilton County, Ohio as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Mt. Healthy, Hamilton County, Ohio, as of December 31, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Safety Tax Fund 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 June 27, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Cincinnati, Ohio
June 27, 2011

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

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, 2010. 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 basic financial statements and notes to enhance their understanding of the City's overall financial performance.

Financial Highlights

- The City's total net assets decreased \$528,766 from 2009.
- General revenues accounted for \$2,611,830 of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,118,582 of total governmental revenues of \$4,730,412.
- The City had \$5,259,178 in expenses; \$2,118,582 of these expenses were offset by program specific revenues in the form of 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 the 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 2010?" The Statement of Net Assets and the Statement 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.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

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 Fund, Safety Tax Fund, Capital Improvement Fund, Taxable Bond Anticipation Notes Projects Fund, Capital Projects Fund, and CMHA Projects Fund.

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 three 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 2010 compared to 2009.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
Current and Other Assets	\$2,583,338	\$2,638,117	(\$54,779)
Nondepreciable Capital Assets	385,427	488,830	(103,403)
Depreciable Capital Assets, Net	3,053,074	3,610,172	(557,098)
Total Assets	<u>\$6,021,839</u>	<u>\$6,737,119</u>	<u>(\$715,280)</u>
Liabilities			
Current and Other Liabilities	\$1,189,007	\$1,733,175	(\$544,168)
Long-Term Liabilities:			
Due Within One Year	166,845	158,205	8,640
Due in More Than One Year	1,867,268	1,518,254	349,014
Total Liabilities	<u>3,223,120</u>	<u>3,409,634</u>	<u>(186,514)</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	1,592,706	2,603,038	(1,010,332)
Restricted	690,069	461,122	228,947
Unrestricted	515,944	263,325	252,619
Total Net Assets	<u>\$2,798,719</u>	<u>\$3,327,485</u>	<u>(\$528,766)</u>

Nondepreciable Capital Assets and Depreciable Capital Assets, Net decreased \$103,403 and \$557,098, respectively. These decreases were primarily the result of the City selling land and buildings during the current year. In the previous year, the City had acquired land and buildings that it intended to renovate and sell. However, the City was not able to complete the project in 2009. Therefore, the sale of the property and buildings occurred in 2010 which caused the aforementioned asset classes to decrease significantly from the prior year.

Total Liabilities decreased \$186,514. Current and Other Liabilities experienced a significant decrease of \$544,168 due to the retirement of Notes Payable outstanding at December 31, 2009. Long-Term Liabilities increased \$357,654 as a result of the City issuing bond anticipation notes during 2010 that are reported as long-term.

Total Net Assets decreased \$528,766. Invested in Capital Assets, Net of Related Debt decreased \$1,010,332 due primarily to current year capital assets deletions, current year depreciation on capital assets, and principal payments made on debt related to capital assets construction.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Restricted Net Assets increased \$228,947 as a result of the City's current year reissuance of bond anticipation notes, as well as the sale of capital assets.

Unrestricted Net Assets increased \$252,619 as a result of the City's unrestricted resources not having to cover the operations of its restricted programs to the extent that they had in the past. Table 2 shows the changes in net assets for the year ended December 31, 2010 compared to 2009.

Table 2
Change in Net Assets

	Governmental Activities		
	2010	2009	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$798,923	\$1,085,561	(\$286,638)
Operating Grants and Contributions	361,091	370,261	(9,170)
Capital Grants and Contributions	958,568	701,599	256,969
Total Program Revenues	<u>2,118,582</u>	<u>2,157,421</u>	<u>(38,839)</u>
General Revenues			
Property Taxes	842,799	851,466	(8,667)
Income Taxes	1,390,974	1,418,511	(27,537)
Other Local Taxes	64,220	61,621	2,599
Grants and Entitlements			
not Restricted for Specific Purposes	219,977	190,381	29,596
Unrestricted Interest	1,004	361	643
Other	92,856	142,318	(49,462)
Total General Revenues	<u>2,611,830</u>	<u>2,664,658</u>	<u>(52,828)</u>
Total Revenues	<u>4,730,412</u>	<u>4,822,079</u>	<u>(91,667)</u>
Program Expenses			
General Government	635,475	656,370	(20,895)
Security of Persons and Property	1,970,854	1,840,153	130,701
Public Works	476,773	415,220	61,553
Leisure Time Activities	197,557	205,112	(7,555)
Community Environment	1,376,984	269,812	1,107,172
Transportation	510,059	784,483	(274,424)
Interest and Fiscal Charges	91,476	86,336	5,140
Total Expenses	<u>5,259,178</u>	<u>4,257,486</u>	<u>1,001,692</u>
Change in Net Assets	<u>(528,766)</u>	<u>564,593</u>	<u>(1,093,359)</u>
Net Assets at Beginning of Year	<u>3,327,485</u>	<u>2,762,892</u>	<u>564,593</u>
Net Assets at End of Year	<u>\$2,798,719</u>	<u>\$3,327,485</u>	<u>(\$528,766)</u>

Governmental Activities

Charges for Services and Sales decreased \$286,638 primarily due to the Mt. Healthy City School District reimbursing the City for improvements done on the School District's waterlines in 2009.

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

However, no such transaction was necessary in 2010. Capital Grants and Contributions increased \$256,969, as the net result of the City recognizing grant revenues in 2009 for which it did not receive similar monies in 2010 and receiving monies from the County for the purchase of uncapitalized assets in 2010.

Community Environment increased \$1,107,172 due primarily to an increase in community improvement projects that the City implemented during 2010. As in the previous year, the City acquired land and buildings for renovation and sale. Unlike in 2009, the land and buildings acquired in 2010 were renovated and sold within the same year. Therefore, the City recognized all costs associated with the renovations, whereas in the previous year, the City was required to report assets for such items because they were not sold prior to the year end.

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.

The City's Funds

Information about the City's major governmental funds begins on page 10. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,812,065 and expenditures of \$5,104,196. The General Fund's balance decreased \$90,718 as a result of the City transferring monies to other funds to support continued capital projects.

The Safety Tax Fund's balance decreased \$30,632 due to a general increase in expenditures related to operating the fire department.

The Capital Improvement Fund's balance increased \$98,353 due primarily to the City not expending revenues received in the current year.

The Taxable Bond Anticipation Notes Projects Fund's balance increased \$352,782 due to the issue of notes during the current year.

The CMHA Projects Fund's balance increased \$310,154 primarily due to the sale of capital assets. In the previous year, the City had acquired land and buildings that it intended to renovate and sell. However, the City was not able to complete the project in 2009. The sale of the property and buildings occurred in 2010 while the renovation costs were recognized in 2009.

General Fund Budgeting Highlights

City of Mt. Healthy, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

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 \$2,926,179. The final budgeted amount was \$2,928,179, which is an insignificant increase. Actual revenues were \$2,944,763 at year end, which is an insignificant increase of \$16,584 over final budgeted revenues.

Original General Fund appropriations were \$2,617,727 and final appropriations were \$2,720,216 for an increase of \$102,489. This increase was done to ensure that the City's budget was in line with rising expenditures throughout the year. The City's actual expenditures were \$2,661,569 at year end, which is a decrease of \$58,647 from final budgeted expenditures due to the City closely monitoring the budget during the year.

Capital Assets and Debt Administration

Capital Assets

At the end of 2010, the City had \$3,438,501 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$660,501 from the prior year. The decrease in capital assets is primarily due to the disposition of land and buildings during 2010. In the previous year, the City had acquired land and buildings that it intended to renovate and sell. However, the City was not able to complete the project in 2009. Therefore, the sale of the property and buildings occurred in 2010 which caused the aforementioned asset classes to decrease significantly from the prior year. See Note 9 of the notes to the basic financial statements for more detailed information on capital assets.

Debt

At December 31, 2010, the City had \$961,000 in general obligation bonds, \$761,467 in bond anticipation notes, and \$171,495 in loans outstanding, of which \$57,615 is short-term obligations. The City's long-term obligations also included compensated absences of \$142,266, capital leases of \$9,448, and police pension liability of \$46,052.

The City's overall 10.5 percent legal debt margin was \$8,490,979 as of December 31, 2010. The more restrictive unvoted legal debt margin was \$3,908,402 as of the same date.

See Notes 16 and 17 of the notes to the basic financial statements for more detailed information.

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.

City of Mt. Healthy, Ohio
Statement of Net Assets
December 31, 2010

	Primary Government Governmental Activities	Component Unit Mt. Healthy Community Improvement Corporation
Assets		
Equity in Pooled Cash and Cash Equivalents	\$709,251	\$53,077
Accounts Receivable	22,230	0
Income Taxes Receivable	459,410	0
Intergovernmental Receivable	397,374	0
Other Local Taxes Receivable	14,660	0
Property Taxes Receivable	980,413	0
Nondepreciable Capital Assets	385,427	0
Depreciable Capital Assets, Net	3,053,074	0
 Total Assets	 6,021,839	 53,077
Liabilities		
Accounts Payable	62,728	0
Accrued Wages and Benefits Payable	29,091	0
Compensatory Time Payable	7,284	0
Intergovernmental Payable	94,449	0
Contracts Payable	1,064	0
Retainage Payable	3,872	0
Accrued Interest Payable	12,996	0
Deferred Revenue	919,908	0
Notes Payable	57,615	0
Long-Term Liabilities:		
Due Within One Year	166,845	0
Due in More Than One Year	1,867,268	0
 Total Liabilities	 3,223,120	 0
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,592,706	0
Restricted for:		
Capital Outlay	489,036	0
Transportation	108,563	0
Security of Persons and Property	90,944	0
Leisure Time Activities	1,526	0
Unrestricted	515,944	53,077
 Total Net Assets	 \$2,798,719	 \$53,077

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Activities
For the Year Ended December 31, 2010

	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	\$635,475	\$199,368	\$0	\$0	(\$436,107)	\$0
Security of Persons and Property	1,970,854	180,274	46,795	63,650	(1,680,135)	0
Public Works	476,773	353,105	3,012	0	(120,656)	0
Leisure Time Activities	197,557	34,844	0	0	(162,713)	0
Community Environment	1,376,984	26,326	1,250	894,918	(454,490)	0
Transportation	510,059	5,006	310,034	0	(195,019)	0
Interest and Fiscal Charges	91,476	0	0	0	(91,476)	0
Total Governmental Activities	<u>\$5,259,178</u>	<u>\$798,923</u>	<u>\$361,091</u>	<u>\$958,568</u>	<u>(3,140,596)</u>	<u>0</u>
Component Unit						
Mt. Healthy Community Improvement Corporation	<u>\$610</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>		<u>(610)</u>
General Revenues:						
Taxes:						
Property Taxes Levied for:						
					362,891	0
					103,348	0
					376,560	0
					1,390,974	0
					64,220	0
					219,977	0
					1,004	53
					92,856	8
Total General Revenues					<u>2,611,830</u>	<u>61</u>
Change in Net Assets					(528,766)	(549)
Net Assets at Beginning of Year					<u>3,327,485</u>	<u>53,626</u>
Net Assets at End of Year					<u>\$2,798,719</u>	<u>\$53,077</u>

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
 Balance Sheet
 Governmental Funds
 December 31, 2010

	General Fund	Safety Tax Fund	Capital Improvement Fund	Taxable Bond Anticipation Notes Projects Fund	CMHA Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$203,745	\$2,827	\$118,143	\$351,126	\$0	\$33,410	\$709,251
Intergovernmental Receivable	156,833	23,769	6,805	0	0	209,967	397,374
Income Taxes Receivable	459,410	0	0	0	0	0	459,410
Property Taxes Receivable	422,824	437,746	119,843	0	0	0	980,413
Other Local Taxes Receivable	14,660	0	0	0	0	0	14,660
Accounts Receivable	22,230	0	0	0	0	0	22,230
Total Assets	\$1,279,702	\$464,342	\$244,791	\$351,126	\$0	\$243,377	\$2,583,338
Liabilities							
Accounts Payable	\$52,060	\$4,959	\$0	\$770	\$0	\$4,939	\$62,728
Accrued Wages and Benefits Payable	19,837	6,353	0	0	0	2,901	29,091
Contracts Payable	1,064	0	0	0	0	0	1,064
Intergovernmental Payable	57,939	14,659	0	0	0	21,851	94,449
Retainage Payable	3,872	0	0	0	0	0	3,872
Deferred Revenue	908,282	461,515	126,648	0	0	160,113	1,656,558
Notes Payable	0	0	0	0	0	57,615	57,615
Total Liabilities	1,043,054	487,486	126,648	770	0	247,419	1,905,377
Fund Balances							
Unreserved, Undesignated (Deficit), Reported in:							
General Fund	236,648	0	0	0	0	0	236,648
Special Revenue Funds	0	(23,144)	0	0	0	39,615	16,471
Debt Service Fund	0	0	0	0	0	62	62
Capital Projects Funds	0	0	118,143	350,356	0	(43,719)	424,780
Total Fund Balances (Deficit)	236,648	(23,144)	118,143	350,356	0	(4,042)	677,961
Total Liabilities and Fund Balances	\$1,279,702	\$464,342	\$244,791	\$351,126	\$0	\$243,377	\$2,583,338

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, 2010

Total Governmental Fund Balances \$677,961

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	338,830	
Construction in Progress	46,597	
Infrastructure	1,866,125	
Other Capital Assets	3,763,600	
Accumulated Depreciation	(2,576,651)	
Total Capital Assets	3,438,501	3,438,501

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.

Delinquent Property Taxes	60,505	
Intergovernmental	318,260	
Income Taxes	353,101	
Charges for Services	4,784	
	736,650	736,650

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

Capital Leases	(9,448)	
Notes	(761,467)	
Bonds	(961,000)	
Loans	(113,880)	
Police Pension	(46,052)	
Compensated Absences	(142,266)	
Total Liabilities	(2,034,113)	(2,034,113)

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	(12,996)	
Compensatory Time Payable	(7,284)	
	(20,280)	(20,280)

Net Assets of Governmental Activities \$2,798,719

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, 2010

	General Fund	Safety Tax Fund	Capital Improvement Fund	Taxable Bond Anticipation Notes Projects Fund	CMHA Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$362,814	\$376,521	\$103,381	\$0	\$0	\$0	\$842,716
Income Taxes	1,373,257	0	0	0	0	8,508	1,381,765
Other Local Taxes	64,220	0	0	0	0	0	64,220
Charges for Services	559,043	0	5,006	0	0	0	564,049
Fines, Licenses and Permits	219,863	0	0	0	0	4,597	224,460
Intergovernmental	301,543	45,193	29,165	0	0	414,669	790,570
Interest	1,004	0	0	0	0	0	1,004
Rent	5,630	0	0	0	0	0	5,630
Donations	750	0	0	0	0	0	750
Other	46,376	4,213	0	3,552	814,045	68,715	936,901
Total Revenues	2,934,500	425,927	137,552	3,552	814,045	496,489	4,812,065
Expenditures							
Current:							
General Government	602,485	0	0	770	0	0	603,255
Security of Persons and Property	1,308,160	645,439	0	0	0	2,190	1,955,789
Public Works	476,773	0	0	0	0	0	476,773
Leisure Time Activities	149,802	0	0	0	0	1,000	150,802
Community Environment	88,011	0	0	0	0	0	88,011
Transportation	0	0	39,199	0	0	349,882	389,081
Capital Outlay	79,771	0	0	0	877,389	273,968	1,231,128
Debt Service:							
Principal Retirement	9,104	2,920	0	0	0	106,000	118,024
Interest and Fiscal Charges	2,489	0	0	0	18,791	70,053	91,333
Total Expenditures	2,716,595	648,359	39,199	770	896,180	803,093	5,104,196
Excess of Revenues Over (Under) Expenditures	217,905	(222,432)	98,353	2,782	(82,135)	(306,604)	(292,131)
Other Financing Sources (Uses)							
Transfers In	0	75,000	0	0	0	233,623	308,623
Notes Issued	0	0	0	350,000	0	411,467	761,467
Proceeds of Loans	0	116,800	0	0	0	0	116,800
Proceeds from Sale of Capital Assets	0	0	0	0	392,289	0	392,289
Transfers Out	(308,623)	0	0	0	0	0	(308,623)
Current Refunding	0	0	0	0	0	(411,467)	(411,467)
Total Other Financing Sources (Uses)	(308,623)	191,800	0	350,000	392,289	233,623	859,089
Net Change in Fund Balances	(90,718)	(30,632)	98,353	352,782	310,154	(72,981)	566,958
Fund Balances (Deficit) at Beginning of Year	327,366	7,488	19,790	(2,426)	(310,154)	68,939	111,003
Fund Balances (Deficit) at End of Year	<u>\$236,648</u>	<u>(\$23,144)</u>	<u>\$118,143</u>	<u>\$350,356</u>	<u>\$0</u>	<u>(\$4,042)</u>	<u>\$677,961</u>

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, 2010

Net Change in Fund Balances - Total Governmental Funds		\$566,958
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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:</p>		
Capital Assets Additions	207,240	
Current Year Depreciation	(214,574)	(7,334)
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.</p>		
Proceeds from Sale of Capital Assets	(392,289)	
Loss on Disposal of Capital Assets	(260,878)	(653,167)
<p>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.</p>		
Property Taxes	83	
Income Taxes	9,209	
Charges for Services	4,784	
Intergovernmental	(65,729)	
Other	(30,000)	(81,653)
<p>Loan and note proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.</p>		
Proceeds of Notes	(761,467)	
Proceeds of Loans	(116,800)	(878,267)
<p>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. In the current year, these amounts consist of:</p>		
Bonds	111,000	
Note Principal Retirement	411,467	
Loan Principal Retirement	2,920	
Police Pension Liability	1,055	
Capital Leases	3,049	
Total Long-Term Debt Repayment	529,491	529,491
<p>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:</p>		
Decrease in Compensatory Time Payable	4,227	
Increase in Compensated Absences	(8,878)	
Increase in Accrued Interest	(143)	
Total Additional Expenditures	(4,794)	(4,794)
Change in Net Assets of Governmental Activities		(\$528,766)

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property Taxes	\$350,406	\$371,604	\$362,814	(\$8,790)
Income Taxes	1,431,667	1,420,996	1,401,083	(19,913)
Other Local Taxes	62,466	62,000	63,452	1,452
Charges for Services	551,914	547,800	562,683	14,883
Fines, Licenses and Permits	270,012	268,000	234,003	(33,997)
Intergovernmental	236,340	234,579	266,993	32,414
Interest	0	0	1,004	1,004
Rent	3,022	3,000	5,630	2,630
Donations	2,519	2,500	750	(1,750)
Other	17,833	17,700	46,351	28,651
Total Revenues	2,926,179	2,928,179	2,944,763	16,584
Expenditures				
Current:				
General Government	595,429	612,185	595,143	17,042
Security of Persons and Property	1,311,709	1,311,662	1,299,320	12,342
Public Works	446,024	476,773	476,773	0
Leisure Time Activities	150,018	155,449	152,722	2,727
Community Environment	114,547	114,547	88,011	26,536
Capital Outlay	0	41,056	41,056	0
Debt Service:				
Principal Retirement	0	6,055	6,055	0
Interest and Fiscal Charges	0	2,489	2,489	0
Total Expenditures	2,617,727	2,720,216	2,661,569	58,647
Excess of Revenues Over Expenditures	308,452	207,963	283,194	75,231
Other Financing Uses				
Transfers Out	(305,445)	(308,623)	(308,623)	0
Net Change in Fund Balance	3,007	(100,660)	(25,429)	75,231
Fund Balance at Beginning of Year	210,352	210,352	210,352	0
Fund Balance at End of Year	\$213,359	\$109,692	\$184,923	\$75,231

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Safety Tax Fund
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property Taxes	\$362,937	\$386,913	\$376,521	(\$10,392)
Intergovernmental	26,137	43,751	45,193	1,442
Other	2,509	4,201	4,213	12
Total Revenues	391,583	434,865	425,927	(8,938)
Expenditures				
Current:				
Security of Persons and Property	518,996	642,025	641,718	307
Debt Service:				
Principal Retirement	0	2,920	2,920	0
Total Expenditures	518,996	644,945	644,638	307
Revenues Under Expenditures	(127,413)	(210,080)	(218,711)	(8,631)
Other Financing Sources				
Transfers In	44,805	75,000	75,000	0
Proceeds of Loans	69,776	116,800	116,800	0
Total Other Financing Sources	114,581	191,800	191,800	0
Net Change in Fund Balance	(12,832)	(18,280)	(26,911)	(8,631)
Fund Balance at Beginning of Year	29,738	29,738	29,738	0
Fund Balance at End of Year	<u>\$16,906</u>	<u>\$11,458</u>	<u>\$2,827</u>	<u>(\$8,631)</u>

See accompanying notes to the basic financial statements

City of Mt. Healthy, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2010

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$6,985
Cash in Segregated Accounts	4,749

Total Assets \$11,734

Liabilities

Intergovernmental Payable	\$2,609
Undistributed Monies	9,125

Total Liabilities \$11,734

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, 2010

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, City 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, and public health and welfare. A staff provides support (e.g., 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. Water and sewer services are provided by the City of Cincinnati.

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

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.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

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

The CIC was created as a not-for-profit corporation under Sections 1724.01 et. seq., Ohio Revised Code. The CIC was established in January, 1990, for the purpose of acquiring and developing real property located in the City of Mt. Healthy to increase the opportunities for employment and strengthen the economic development of the City. The CIC'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, 7700 Perry St., Mt. Healthy, Ohio 75231.

The information in Notes 2 through 21 relate to the primary government. Information for the CIC is presented in Note 22.

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 an organization defined as a jointly governed organization and one which is defined as a joint venture. These organizations are the Center for Local Government and the Joint Economic Development District. These organizations are presented in Note 18 of the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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 with or contradict 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, 2010

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, 2010

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's fire department.

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

Taxable Bond Anticipation Notes Projects Fund - The Taxable Bond Anticipation Notes Projects Fund is used to account for monies received from bond anticipation notes issued for various projects.

CMHA Projects Fund - The CMHA Projects Fund is used to account for monies received from bond anticipation notes issued for community improvement projects.

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

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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 three types of trust funds are used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. 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 three agency funds which are used to account for money held for individuals and organizations. These funds account for the collection and distribution of court fees, the distribution of payroll related taxes and withholdings, and the collection of seized and forfeited monies in criminal cases distributed to parties outside the City as determined by the court.

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.

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.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in 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 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 31 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, weed assessments, 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.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but were levied to finance 2011 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.

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 as of December 31, 2010.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Investment income credited to the General Fund during 2010 amounted to \$1,004, which includes \$481 assigned from other City funds.

Internal Activities

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Payments for interfund services provided and used are not eliminated.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

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 arise 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 year. Donated capital assets are recorded at their fair values on the date donated. The City maintains a capitalization threshold of \$5,000. 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 as incurred.

All capital assets, except 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/Site 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.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Compensated Absences

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

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

Compensatory time is accumulated by employees at the applicable overtime rate for each hour of overtime worked. The City will record the liability "Compensatory Time Payable" for the balance carried over at year-end. City employees must use their compensatory time balance that has been carried forward within 180 days of earning it.

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. Long-term notes, bonds, loans, capital leases, 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.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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.

Budgets and Budgetary Accounting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared by the City are the tax budget, the certificate of estimated resources, and the appropriations ordinance, 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 ordinance 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. Any budgetary modifications at this level may only be made by resolution of Council.

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 reported as final budgeted amounts represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

The appropriations ordinance 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 ordinance 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.

NOTE 3 – ACCOUNTABILITY

The Safety Tax Fund and the Property Acquisition Capital Projects Fund had deficit fund balances of \$23,144 and \$50,094, respectively, for the year ended December 31, 2010. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

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 and Actual (Budget Basis) is presented for the General Fund and the Safety Tax Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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

Net Change in Fund Balance		
	General	Safety Tax
GAAP Basis	(\$90,718)	(\$30,632)
Revenue Accruals	10,263	0
Expenditure Accruals	55,026	3,721
Budget Basis	(\$25,429)	(\$26,911)

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.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

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;
4. Commercial paper and bankers acceptances if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and
7. The State Treasurer's investment pool (STAROhio).

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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. Investments may only be made through specified dealers and institutions.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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. 2010 public utility property taxes became a lien on December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 6 – PROPERTY TAXES (continued)

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Tangible personal property taxes from telephone companies will no longer be levied and collected after 2010.

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 full tax rate for all City operations for the year ended December 31, 2010, was \$11.11 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Property		
Residential/Agricultural	\$58,936,480	64.30%
Commercial/Industrial/Public Utility	28,064,260	30.62%
Public Utility Personal	4,432,280	4.84%
General Business Personal	218,520	0.24%
Total Property Taxes	<u>\$91,651,540</u>	<u>100.00%</u>

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, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 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, 2010

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 1.25 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 2010, income tax proceeds were allocated to the General Fund and the Joint Economic Development District Special Revenue Fund.

NOTE 8 – RECEIVABLES

Receivables as of December 31, 2010, consisted of taxes, accounts, and intergovernmental receivables arising from grants, entitlements, fines, fees and shared revenues. All receivables, except property and income taxes, are considered fully collectible and will be collected within one year. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not 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	\$45,683
Estate Tax	9,802
Tangible Property Tax Reimbursement	10,019
Undivided Local Government	8,738
Shared Income	49,394
State Gasoline Excise Tax	64,116
Motor Vehicle License Tax	18,148
Permissive Motor Vehicle License Tax	33,173
Gasoline Cents Per Gallon	30,879
Community Development Block Grant	63,772
FEMA Grant	63,650
Total	<u><u>\$397,374</u></u>

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2010, was as follows:

	<u>Balance At</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2010</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$488,830	\$0	(\$150,000)	\$338,830
Construction in Progress	0	46,597	0	46,597
Total Capital Assets, Not Being Depreciated	<u>488,830</u>	<u>46,597</u>	<u>(150,000)</u>	<u>385,427</u>
Depreciable Capital Assets:				
Land/Site Improvements	436,384	40,227	0	476,611
Buildings and Building Improvements	1,847,081	0	(535,210)	1,311,871
Equipment and Vehicles	1,854,702	120,416	0	1,975,118
Infrastructure	1,866,125	0	0	1,866,125
Total Depreciable Capital Assets	<u>6,004,292</u>	<u>160,643</u>	<u>(535,210)</u>	<u>5,629,725</u>
Less Accumulated Depreciation:				
Land/Site Improvements	(168,084)	(22,429)	0	(190,513)
Buildings and Building Improvements	(374,171)	(26,855)	32,043	(368,983)
Equipment and Vehicles	(1,522,551)	(71,581)	0	(1,594,132)
Infrastructure	(329,314)	(93,709)	0	(423,023)
Total Accumulated Depreciation	<u>(2,394,120)</u>	<u>(214,574) *</u>	<u>32,043</u>	<u>(2,576,651)</u>
Depreciable Capital Assets, Net	<u>3,610,172</u>	<u>(53,931)</u>	<u>(503,167)</u>	<u>3,053,074</u>
Governmental Activities Capital Assets, Net	<u>\$4,099,002</u>	<u>(\$7,334)</u>	<u>(\$653,167)</u>	<u>\$3,438,501</u>

* Depreciation expense was charged to governmental programs as follows:

General Government	\$30,146
Security of Persons and Property	12,635
Leisure Time Activities	45,690
Community Environment	4,207
Transportation	121,896
Total Depreciation Expense	<u>\$214,574</u>

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for State and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10.0 percent. For the year ended December 31, 2010, members in State and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$64,359, \$52,883, and \$50,886, respectively. For 2010, 98.39 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$292 made by the City and \$208 made by plan members.

Ohio Police and Fire Pension Fund

Plan Description – 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$104,133 and \$9,483, respectively, for the year ended December 31, 2010, \$67,249 and \$6,474, respectively, for the year ended December 31, 2009, and \$83,190 and \$7,657, respectively, for the year ended December 31, 2008. For 2010, 76.21 percent for police and 76.33 percent for firefighters has been contributed, with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

NOTE 11 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$35,755, \$34,219, and \$50,886, respectively. For 2010, 98.39 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for 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. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 11 – POST-EMPLOYMENT BENEFITS (continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$55,129 and \$3,711, respectively, for the year ended December 31, 2010, \$35,602 and \$2,533, respectively, for the year ended December 31, 2009, and \$44,042 and \$2,996, respectively, for the year ended December 31, 2008. For 2010, 76.21 percent has been contributed for police and 76.33 percent has been contributed for firefighters, with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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 their 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 10 or more years of service with the City, the State or another political subdivision, an employee shall be paid for one-fourth of his/her total sick leave accumulation.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 12 – OTHER EMPLOYEE BENEFITS (continued)

City employees working in excess of designated work hours are entitled to either overtime pay or compensatory time according to the Fair Labor Standards Act. Employees may elect to receive compensatory time in lieu of overtime pay. Compensatory time must be used within 180 days.

Insurance Benefits

The City has elected to provide employee medical/surgical benefits through United Health Care and life insurance benefits through Reliance Standard. For medical/surgical and life insurance benefits, the City pays 100 percent of the monthly premium for all full-time employees under the family plan and the single plan. The City also pays 75 percent of the monthly premium for spouses and dependents of full-time employees under the family plan for medical/surgical and life insurance benefits. The City provides employee dental insurance through Dental Care Plus. 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. The City maintains comprehensive insurance coverage with the Hylant Group for building contents, vehicles, general liability, and public official liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 14 – TRANSFERS FROM/TO OTHER FUNDS

Transfers are used to move 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>\$75,000</u>	<u>\$233,623</u>	<u>\$308,623</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, to cover additional costs for street maintenance and repair, and to cover costs associated with continued capital projects.

NOTE 15 – CAPITAL LEASES

In prior years, the City has entered into capitalized leases for copier machines. The leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$15,602 for governmental activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Corresponding liabilities were recorded on the Statement of Net Assets for governmental activities. Principal payments in 2010 totaled \$3,049.

The assets acquired through capital leases as of December 31, 2010, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Equipment and vehicles (copiers)	<u>\$15,602</u>	<u>(\$7,861)</u>	<u>\$7,741</u>

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 15 – CAPITAL LEASES (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2010:

Year Ending December 31,	Amount
2011	\$3,049
2012	3,049
2013	1,564
2014	1,429
2015	357
Present Value of Net Minimum Lease Payments	\$9,448

The City leases vehicles and equipment under a noncancelable operating lease. Operating lease payments are reported as function expenditures in governmental funds and on the budgetary statements. Total operating lease payments in 2010 were \$1,200, which were paid from the General Fund.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,	Amount
2011	\$1,200
2012	1,200
2013	1,100
Total	\$3,500

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 16 – LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2010 were as follows:

	Balance at December 31, 2009	Issued	Retired	Balance at December 31, 2010	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
Valley Auto Theater Property Bonds					
7.50% - 1990	\$15,000	\$0	\$15,000	\$0	\$0
Aquatic Facilities Bonds					
2.00% to 5.00% - 2002	965,000	0	60,000	905,000	65,000
Park Improvement Bonds					
3.89% - 2006	32,000	0	16,000	16,000	16,000
Various Purpose Bonds					
3.98% - 2007	60,000	0	20,000	40,000	20,000
Total - General Obligation Bonds	1,072,000	0	111,000	961,000	101,000
<u>Bond Anticipation Notes:</u>					
Property Acquisition Bond Anticipation					
Notes \$515,000, 3.00% - 2009	411,467	0	411,467	0	0
Property Acquisition Bond Anticipation					
Notes \$411,467, 3.00% - 2010	0	411,467	0	411,467	0
Property Acquisition Bond Anticipation					
Notes \$350,000, 2.25% - 2010	0	350,000	0	350,000	0
Total - Bond Anticipation Notes	411,467	761,467	411,467	761,467	0
<u>Loans:</u>					
Ohio Department of Commerce					
Loan \$116,800, 0.00% - 2010	0	116,800	2,920	113,880	13,810
<u>Other Long-Term Obligations:</u>					
Compensated Absences	133,388	77,919	69,041	142,266	47,885
Capital Leases Payable	12,497	0	3,049	9,448	3,049
Police Pension Liability	47,107	0	1,055	46,052	1,101
Total - Other Long-Term Obligations	192,992	77,919	73,145	197,766	52,035
Total - General Long-Term Obligations	\$1,676,459	\$956,186	\$598,532	\$2,034,113	\$166,845

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 percent interest rate and matured on June 15, 2010. The bond issue was repaid from the Compton Road Capital Projects Fund.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

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 interest rates ranging from 2.0 percent to 5.0 percent, 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 20, 2006, the City issued five year Park Improvement General Obligation Bonds for \$80,000. The bonds have an interest rate of 3.89 percent and are due to mature December 1, 2011. The bonds were issued for the purpose of acquiring and constructing various park improvements and related appurtenances within the City. The bond issue will be repaid from General Fund monies transferred to the Debt Service Fund.

On March 2, 2007, the City issued Various Purpose Bonds for \$100,000. The bonds have an interest rate of 3.98 percent and are due to mature March 30, 2012. The bonds were issued for the purpose of acquiring a new truck and computers for the City. The bonds will be repaid from the General Fund and the Street Maintenance and Repair Special Revenue Fund.

On March 22, 2010, the City issued a Bond Anticipation Note in the amount of \$411,467 to refund the Bond Anticipation Note issued March 25, 2009. The note has an interest rate of 3.00 percent and is due to mature March 21, 2011. The note was issued for the purpose of property acquisition and community improvements for the City. The full amount of the note is considered long-term.

On December 23, 2010, the City issued a Bond Anticipation Note in the amount of \$350,000. The note has an interest rate of 2.25 percent and is due to mature March 21, 2011. The note was issued for the purpose of property acquisition. The full amount of the note is considered long-term.

On June 15, 2010, the City entered into an interest-free loan agreement with the Ohio Department of Commerce in the amount of \$116,800 for the purchase of property. The loan is due to mature on July 1, 2020. The loan will be repaid from the Safety Tax Special Revenue Fund.

Compensated absences will be paid from the General Fund and the Street Construction, Maintenance and Repair and Safety Tax Special Revenue Funds. The capital leases will be repaid from the General 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 \$54,126. The liability is payable semiannually from the General Fund.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 16 – LONG-TERM OBLIGATIONS (continued)

As of December 31, 2010, the City’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,490,979, and the unvoted legal debt margin was \$3,908,402.

Principal and interest requirements to retire the City's outstanding bond and loan obligations at December 31, 2010, are:

	General Obligation Bonds		Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2011	\$101,000	\$49,966	\$13,810	\$114,810	\$49,966
2012	85,000	45,785	11,680	96,680	45,785
2013	70,000	42,625	11,680	81,680	42,625
2014	75,000	38,775	11,680	86,680	38,775
2015	75,000	34,650	11,680	86,680	34,650
2016-2020	450,000	105,875	53,350	503,350	105,875
2021	105,000	5,775	0	105,000	5,775
Total	<u>\$961,000</u>	<u>\$323,451</u>	<u>\$113,880</u>	<u>\$1,074,880</u>	<u>\$323,451</u>

Principal and interest requirements to retire the City’s police pension obligation at December 31, 2010, are:

	Police Pension	
	Principal	Interest
2011	\$1,101	\$1,946
2012	1,148	1,898
2013	1,197	1,849
2014	1,249	1,798
2015	1,302	1,744
2016-2020	7,401	7,831
2021-2025	9,133	6,099
2026-2030	11,270	3,961
2031-2035	12,251	1,324
Total	<u>\$46,052</u>	<u>\$28,450</u>

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 17 – SHORT-TERM OBLIGATIONS

The City had the following short-term obligations outstanding at December 31, 2010:

	Balance at December 31, 2009	Issued	Retired	Balance at December 31, 2010
<u>Bond Anticipation Notes:</u>				
Property Acquisition Bond Anticipation Notes \$515,000, 3.00% - 2009	\$103,533	\$0	\$103,533	\$0
Property Acquisition Bond Anticipation Notes \$150,000, 3.90% - 2009	150,000	0	150,000	0
Property Acquisition Bond Anticipation Notes \$250,000, 3.90% - 2009	250,000	0	250,000	0
Property Acquisition Bond Anticipation Notes \$250,000, 3.90% - 2010	0	250,000	250,000	0
Total - Bond Anticipation Notes	<u>503,533</u>	<u>250,000</u>	<u>753,533</u>	<u>0</u>
<u>Short-Term Loans:</u>				
Cincinnati Metropolitan Housing Authority Loan \$184,000, Adjustable Rate - 2010	0	184,000	184,000	0
Cincinnati Metropolitan Housing Authority Loan \$184,000, Adjustable Rate - 2010	0	184,000	184,000	0
Cincinnati Metropolitan Housing Authority Loan \$190,000, Adjustable Rate - 2010	0	190,000	190,000	0
First Financial Bank Line of Credit	0	57,615	0	57,615
Total - Short-Term Loans	<u>0</u>	<u>615,615</u>	<u>558,000</u>	<u>57,615</u>
Total - Bond Anticipation Notes	<u>\$503,533</u>	<u>\$865,615</u>	<u>\$1,311,533</u>	<u>\$57,615</u>

Bond anticipation notes are generally issued in anticipation of long-term bond financing and will be refinanced annually until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

On March 25, 2009, the City issued a Bond Anticipation Note in the amount of \$515,000 to refund the Bond Anticipation Notes issued on March 27, 2009. The note had an interest rate of 3.00 percent and matured on March 24, 2010. The note was issued for the purpose of property acquisition and community improvements for the City. The short-term portion of this note was retired at maturity.

On September 30, 2009, the City issued a Bond Anticipation Note in the amount of \$150,000. The note had an interest rate of 3.90 percent and was due to mature on September 29, 2010. The note was retired on September 17, 2010. The note was issued for the purpose of property acquisition and building rehabilitation for the City.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 17 – SHORT-TERM OBLIGATIONS (continued)

On December 2, 2009, the City issued a Bond Anticipation Note in the amount of \$250,000. The note had an interest rate of 3.90 percent and was due to mature on December 1, 2010. The note was retired on September 17, 2010. The note was issued for the purpose of property acquisition and building rehabilitation for the City.

On March 30, 2010, the City issued a Bond Anticipation Note in the amount of \$250,000. The note had an interest rate of 3.90 percent and was due to mature on March 29, 2011. The note was retired on September 17, 2010. The note was issued for the purpose of property acquisition and building rehabilitation for the City.

On April 20, 2010, the City entered into loan agreements with the Cincinnati Metropolitan Housing Authority in the amounts of \$184,000, \$184,000, and \$190,000 for the acquisition of property. The loans had an adjustable interest rate. The loans were retired upon the receipt of the Neighborhood Stabilization funds on August 17, 2010.

On January 19, 2010, the City entered into a banking agreement with First Financial Bank for a line of credit for the purpose of economic development and property rehabilitation. The line of credit had an adjustable interest rate. The line of credit is due to mature on September 27, 2011.

NOTE 18 – JOINTLY GOVERNED ORGANIZATION / JOINT VENTURE

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 2010 was \$2,000. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio 45236.

City of Mt. Healthy, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2010

NOTE 18 – JOINTLY GOVERNED ORGANIZATION / JOINT VENTURE (continued)

Joint Economic Development District

The City participates in a joint venture with Springfield Township of Hamilton County, the joint economic development district (the JEDD). The purpose of the JEDD is to facilitate economic development along the Hamilton Avenue Corridor and to create and preserve jobs and employment opportunities in the area of the contracting parties. The Board of Directors of the JEDD consists of five members, including one municipal member, one Township member, one business owner, one worker and one member selected by the other four members. The City Council selects the municipal member and the Township Board of Trustees selects the Township member. The Township Board of Trustees selects the business and the worker members. The Board of Directors of the JEDD levied an income tax for the JEDD territory at the rate of one and one-half percent and entered into a contract with the City to collect and administer the taxes. Seventy-five percent of the income taxes collected will be distributed to the Township and 25 percent will be distributed to the City. The Township shall use a portion of the income taxes it receives from the JEDD to expand public services to the JEDD area. The City will provide transportation network improvements to benefit the JEDD area.

NOTE 19 – CONTINGENT LIABILITIES

Litigation

The City is not party to any legal proceedings.

Federal and State Grants

For the period January 1, 2010 to December 31, 2010, 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, 2010

NOTE 20 – CONTRACTUAL COMMITMENTS

The City had the following contractual commitments outstanding as of December 31, 2010:

<u>Contractor/Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 12/31/2010</u>
JMW Plumbing - Restroom Addition	\$10,075	\$9,064	\$1,011
Alternative Electrical Solutions - Restroom Addition	3,900	2,000	1,900
Kramer & Feldman, Inc. - Restroom Addition	73,261	27,532	45,729
Total	<u>\$87,236</u>	<u>\$38,596</u>	<u>\$48,640</u>

NOTE 21 – SUBSEQUENT EVENTS

On March 21, 2011, the City issued Property Acquisition Bond Anticipation Notes in the amount of \$765,500 for the purpose of refunding the Property Acquisition Bond Anticipation Notes issued on March 22, 2010, and the Property Acquisition Bond Anticipation Notes issued on December 23, 2010. These Bond Anticipation Notes were issued for a period of 120 days during which time the City intends to refund the notes along with the Aquatic Facility Bonds.

On May 3, 2011, City Council passed an ordinance authorizing the issuance of \$1,660,000 in general obligation bonds. The purpose of this bond issue is to refund the Property Acquisition Bond Anticipation Notes issued on March 21, 2011, and the outstanding Aquatic Facility Bonds.

The City has evaluated subsequent events for potential recognition and disclosure through June 27, 2011, the date the financial statements were available to be issued.

NOTE 22 – MT. HEALTHY COMMUNITY IMPROVEMENT CORPORATION

As indicated in Note 1 to the basic financial statements, the following disclosure is made on behalf of the Mt. Healthy Community Improvement Corporation (CIC).

Basis of Accounting

The CIC prepares financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues to the CIC consisted primarily of interest income. The CIC's expenditures for 2010 were for professional services. The CIC had no investments as of December 31, 2010.