



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CHEVIOT
HAMILTON COUNTY**

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CITY OF CHEVIOT
HAMILTON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Cheviot
Hamilton County
3814 Harrison Avenue
Cincinnati, Ohio 45211

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Cheviot, Hamilton County, Ohio (the City), as of and for the years ended December 31, 2001, and December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cheviot, Hamilton County, Ohio, as of December 31, 2001, and December 31, 2000, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general-purpose financial statements for the year ended December 31, 2001, during the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 12, 2002

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**City of Cheviot
Hamilton County
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$579,386	\$396,388	\$135,140	\$915,735
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Property Taxes	548,923	0	101,665	125,630
Income Taxes	554,018	0	0	0
Other Local Taxes	0	47,930	0	0
Accounts	70,656	0	0	0
Due from Other Governments	161,861	102,763	7,151	8,314
Prepaid Items	18,080	0	0	0
Materials and Supplies Inventory	13,626	44,941	0	0
Fixed Assets (net where applicable, of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$1,946,550</u>	<u>\$592,022</u>	<u>\$243,956</u>	<u>\$1,049,679</u>
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$49,783	\$5,157	\$0	\$0
Contracts Payable	1,306	26,292	0	106,760
Accrued Salaries Payable	93,476	13,730	0	0
Due to Other Governments	46,926	1,820	0	0
Deferred Revenue	841,287	98,772	108,816	133,944
Compensated Absences Payable	0	0	0	0
Undistributed Monies	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>1,032,778</u>	<u>145,771</u>	<u>108,816</u>	<u>240,704</u>
Fund Equity:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings, Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	57,362	15,320	0	0
Reserved for Materials and Supplies Inventory	13,626	44,941	0	0
Unreserved, Undesignated	842,784	385,990	135,140	808,975
Total Fund Equity	<u>913,772</u>	<u>446,251</u>	<u>135,140</u>	<u>808,975</u>
Total Liabilities and Fund Equity	<u>\$1,946,550</u>	<u>\$592,022</u>	<u>\$243,956</u>	<u>\$1,049,679</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$19,973	\$2,064	\$0	\$0	\$2,048,686
0	1,520	0	0	1,520
0	0	0	0	776,218
0	0	0	0	554,018
0	0	0	0	47,930
0	0	0	0	70,656
0	0	0	0	280,089
0	0	0	0	18,080
0	0	0	0	58,567
104,880	0	5,355,081	0	5,459,961
0	0	0	135,140	135,140
0	0	0	489,947	489,947
<u>\$124,853</u>	<u>\$3,584</u>	<u>\$5,355,081</u>	<u>\$625,087</u>	<u>\$9,940,812</u>
\$96	\$0	\$0	\$0	\$55,036
2,815	0	0	0	137,173
0	0	0	0	107,206
0	0	0	102,374	151,120
0	0	0	0	1,182,819
0	0	0	45,968	45,968
0	1,668	0	0	1,668
0	0	0	476,745	476,745
2,911	1,668	0	625,087	2,157,735
0	0	5,355,081	0	5,355,081
121,942	0	0	0	121,942
0	0	0	0	72,682
0	0	0	0	58,567
0	1,916	0	0	2,174,805
121,942	1,916	5,355,081	0	7,783,077
<u>\$124,853</u>	<u>\$3,584</u>	<u>\$5,355,081</u>	<u>\$625,087</u>	<u>\$9,940,812</u>

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**City of Cheviot
Hamilton County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2001**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$647,600	\$0	\$108,370	\$134,430	\$0	\$890,400
Income Taxes	1,742,122	0	0	0	0	1,742,122
Other Local Taxes	0	97,159	0	0	0	97,159
Intergovernmental	518,407	222,035	13,990	1,720,155	0	2,474,587
Charges for Services	1,150	0	0	0	0	1,150
Fines, Licenses and Permits	187,123	25,717	0	0	0	212,840
Rent	79,956	0	0	0	0	79,956
Interest	58,719	5,525	0	0	0	64,244
Donations	0	3,282	0	0	0	3,282
Miscellaneous	54,129	4,015	0	0	14	58,158
Total Revenues	3,289,206	357,733	122,360	1,854,585	14	5,623,898
Expenditures:						
Current:						
Security of Persons and Property	1,624,351	18,383	0	0	0	1,642,734
Transportation	148,000	245,109	0	0	0	393,109
Public Health Services	6,316	0	0	0	0	6,316
Public Works	337,734	0	0	0	0	337,734
Leisure Time Activities	149,664	576	0	0	0	150,240
Community Environment	20,019	0	0	0	0	20,019
General Government	991,827	1,595	1,993	0	0	995,415
Capital Outlay	41,981	71,789	0	1,120,440	0	1,234,210
Debt Service:						
Principal Retirement	0	0	139,078	0	0	139,078
Interest and Fiscal Charges	0	0	43,350	0	0	43,350
Total Expenditures	3,319,892	337,452	184,421	1,120,440	0	4,962,205
Excess of Revenues Over (Under) Expenditures	(30,686)	20,281	(62,061)	734,145	14	661,693
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	7,649	0	0	0	0	7,649
Operating Transfers - In	0	0	73,950	0	0	73,950
Operating Transfers - Out	(94,950)	0	0	0	0	(94,950)
Total Other Financing Sources (Uses)	(87,301)	0	73,950	0	0	(13,351)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(117,987)	20,281	11,889	734,145	14	648,342
Fund Balances at Beginning of Year - Restated (See Note 3)	1,030,347	401,880	123,251	74,830	1,902	1,632,210
Increase in Reserve for Inventory	1,412	24,090	0	0	0	25,502
Fund Balances at End of Year	\$913,772	\$446,251	\$135,140	\$808,975	\$1,916	\$2,306,054

See Accompanying Notes to the General Purpose Financial Statements.

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$632,101	\$647,600	\$15,499	\$0	\$0	\$0
Income Taxes	1,750,000	1,735,693	(14,307)	0	0	0
Other Local Taxes	0	0	0	99,000	95,396	(3,604)
Intergovernmental	550,433	552,821	2,388	221,364	220,144	(1,220)
Charges for Services	2,850	1,150	(1,700)	0	0	0
Fines, Licenses and Permits	207,000	184,085	(22,915)	35,700	31,267	(4,433)
Rent	70,000	77,516	7,516	0	0	0
Interest	55,050	58,719	3,669	0	5,525	5,525
Donations	900	0	(900)	2,170	3,282	1,112
Miscellaneous	26,263	68,223	41,960	6,650	9,337	2,687
Total Revenues	3,294,597	3,325,807	31,210	364,884	364,951	67
Expenditures:						
Current:						
Security of Persons and Property	1,667,959	1,621,103	46,856	53,498	18,588	34,910
Transportation	148,756	148,000	756	447,022	237,248	209,774
Public Health Services	6,533	6,316	217	0	0	0
Public Works	373,825	350,398	23,427	0	0	0
Leisure Time Activities	185,217	157,304	27,913	610	576	34
Community Environment	25,000	20,019	4,981	0	0	0
General Government	1,169,076	1,055,519	113,557	6,430	1,595	4,835
Capital Outlay	89,145	77,470	11,675	75,142	74,676	466
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,665,511	3,436,129	229,382	582,702	332,683	250,019
Excess of Revenues Over (Under) Expenditures	(370,914)	(110,322)	260,592	(217,818)	32,268	250,086
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	7,500	7,649	149	0	0	0
Operating Transfers - In	0	0	0	0	0	0
Operating Transfers - Out	(101,987)	(94,950)	7,037	0	0	0
Total Other Financing Sources (Uses)	(94,487)	(87,301)	7,186	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(465,401)	(197,623)	267,778	(217,818)	32,268	250,086
Fund Balances at Beginning of Year	609,725	609,725	0	270,105	270,105	0
Prior Year Encumbrances Appropriated	75,328	75,328	0	76,194	76,194	0
Fund Balances at End of Year	\$219,652	\$487,430	\$267,778	\$128,481	\$378,567	\$250,086

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$107,600	\$108,370	\$770	\$133,700	\$134,430	\$730	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
14,000	13,990	(10)	1,880,962	1,720,155	(160,807)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	100	14	(86)
<u>121,600</u>	<u>122,360</u>	<u>760</u>	<u>2,014,662</u>	<u>1,854,585</u>	<u>(160,077)</u>	<u>100</u>	<u>14</u>	<u>(86)</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
2,150	1,993	157	0	0	0	450	0	450
0	0	0	1,655,464	1,016,780	638,684	0	0	0
146,000	139,078	6,922	0	0	0	0	0	0
49,250	43,350	5,900	0	0	0	0	0	0
<u>197,400</u>	<u>184,421</u>	<u>12,979</u>	<u>1,655,464</u>	<u>1,016,780</u>	<u>638,684</u>	<u>450</u>	<u>0</u>	<u>450</u>
<u>(75,800)</u>	<u>(62,061)</u>	<u>13,739</u>	<u>359,198</u>	<u>837,805</u>	<u>478,607</u>	<u>(350)</u>	<u>14</u>	<u>364</u>
0	0	0	0	0	0	0	0	0
74,000	73,950	(50)	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>74,000</u>	<u>73,950</u>	<u>(50)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(1,800)	11,889	13,689	359,198	837,805	478,607	(350)	14	364
123,251	123,251	0	77,930	77,930	0	1,902	1,902	0
0	0	0	0	0	0	0	0	0
<u>\$121,451</u>	<u>\$135,140</u>	<u>\$13,689</u>	<u>\$437,128</u>	<u>\$915,735</u>	<u>\$478,607</u>	<u>\$1,552</u>	<u>\$1,916</u>	<u>\$364</u>

**City of Cheviot
Hamilton County
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Enterprise Funds
For the Year Ended December 31, 2001**

Operating Revenues:	
Charges for Services	<u>\$51,086</u>
Total Operating Revenues	<u>51,086</u>
Operating Expenses:	
Personal Services	21,703
Contractual Services	37,616
Materials and Supplies	7,986
Depreciation	<u>3,680</u>
Total Operating Expenses	<u>70,985</u>
Net Loss before Operating Transfers	(19,899)
Operating Transfers - In	<u>21,000</u>
Net Income	1,101
Retained Earnings at Beginning of Year	<u>120,841</u>
Retained Earnings at End of Year	<u><u>\$121,942</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**City of Cheviot
Hamilton County
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 2001**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$51,100	\$51,086	(\$14)
Total Revenues	51,100	51,086	(14)
Expenses:			
Personal Services	25,000	21,703	3,297
Contractual Services	48,005	38,106	9,899
Materials and Supplies	8,152	7,986	166
Total Expenses	81,157	67,795	13,362
Excess of Revenues Under Expenses	(30,057)	(16,709)	13,348
Operating Transfers - In	27,000	21,000	(6,000)
Excess of Revenues Over (Under) Expenses and Operating Transfers	(3,057)	4,291	7,348
Fund Equity at Beginning of Year	13,978	13,978	0
Prior Year Encumbrances Appropriated	152	152	0
Fund Equity at End of Year	<u>\$11,073</u>	<u>\$18,421</u>	<u>\$7,348</u>

See Accompanying Notes to the General Purpose Financial Statements.

City of Cheviot
Hamilton County, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2001

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$51,086
Cash Payments for Employee Services and Benefits	(21,703)
Cash Payments to Suppliers for Goods and Services	<u>(44,540)</u>

Net Cash Used for Operating Activities (15,157)

Cash Flows from Non-Capital Financing Activities:

Operating Transfers - In	<u>21,000</u>
--------------------------	---------------

Net Cash Provided by Non-Capital Financing Activities 21,000

Net Increase in Cash and Cash Equivalents 5,843

Cash and Cash Equivalents at Beginning of Year 14,130

Cash and Cash Equivalents at End of Year \$19,973

**Reconciliation of Operating Loss to
Net Cash Used for Operating Activities:**

Operating Loss (\$19,899)

Adjustments to Reconcile Operating Loss to

Net Cash Used for Operating Activities:	
Depreciation	3,680
Changes in Assets and Liabilities:	
Increase in Accounts Payable	21
Increase in Contracts Payable	<u>1,041</u>

Net Cash Used for Operating Activities (\$15,157)

See Accompanying Notes to the General Purpose Financial Statements.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Cheviot (the "City") is a non-chartered municipal corporation operating under the laws of the State of Ohio. The community was established in 1818 as part of Green Township; it then became a village on July 1, 1901, before being converted to a City on January 1, 1932. The municipal government is known as a Council/Manager form of government. Legislative power is vested in a eight-member council: four members elected by wards, three elected at large, and a Mayor elected at large. The Mayor appoints a Safety Service Director. The Safety Service Director is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees, except Clerk of Council, who is appointed by Council.

Reporting Entity

A reporting entity is comprised of the primary government, related 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 of Cheviot is divided into departments, financial management and control systems. Services provided include police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

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

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

The City participates in three organizations which are defined as jointly governed organizations. These organizations are the Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments (OKI) and the Hamilton County Municipal League (HCML). These organizations are presented in Note 17 of the General Purpose Financial Statements.

Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

Proprietary Fund Type

The proprietary funds are used to account for the City's ongoing activities that are similar to those often found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing goods or services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

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

Account Groups

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

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the City, other than those fixed assets accounted for in the enterprise funds.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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

General Long-Term Obligations Account Group - This account group is used to account for all long-term obligations of the City except those accounted for in the enterprise funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cheviot have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The City has no contributed capital. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The accrual basis of accounting is followed for the proprietary funds.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income tax, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). 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, state-levied locally shared taxes (including gasoline tax), rentals, and fines, licenses and permits.

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

On the accrual basis of accounting, revenues are recognized when they are earned and become measurable, and expenses are recognized at the time they are incurred.

Under the modified accrual basis, expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Allocations of cost, such as depreciation and amortization, are not recognized under the modified accrual basis.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the program level within each fund (general fund - security of persons and property, transportation, public health services, public works, leisure time activities, community environment, general government, capital outlay, debt service). This is the level at which City Council approves appropriations. The allocation of appropriations between line items within a program may be modified with approval of the Safety Service Director. All other budgetary modifications may only be made by resolution of the City Council.

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested for 2001.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. During the year several supplemental appropriation measures were passed, although none of these supplements were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including enterprise funds, are maintained in this pool. Individual fund integrity is maintained through the City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The City also has segregated bank accounts for monies held separate from the City's central bank account. These accounts are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2001, the City's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2001.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$58,719, which includes \$30,836 assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the enterprise funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. The enterprise funds did not have any significant inventory on hand at year-end.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets are assets used in providing services accounted for in enterprise funds. They are accounted for within the enterprise funds.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All purchased fixed assets are valued at cost when historical records are available and estimated historical where no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are valued at their estimated fair market value on the date received. The City does not have a capitalization threshold, therefore all fixed assets are included.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. An improvement to a fund fixed asset is depreciated over the remaining useful life of the related asset.

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

Assets in the general fixed assets account group are not depreciated. Depreciation of enterprise fixed assets is computed using the straight-line method over the following useful lives:

Buildings and Building Improvements	40 year
-------------------------------------	---------

Interfund Transactions

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

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

Compensated Absences

Vacation benefits are not accrued because City employees must use all their vacation leave by the end of the year, or they are paid their entire vacation balance prior to December 31.

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. The City did not have any current unpaid compensated absences as of December 31, 2001.

Accrued Liabilities and Long-Term Debt

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

General obligation bonds are recognized as a liability of the general long-term obligations account group until due.

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

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	Will be paid by the fund from which the employee's salary is paid
Due to Other Governments	Will be paid by the fund from which the employee's salary is paid
General Obligation Bonds	Will be paid by the equipment acquisition debt service fund

Reservations of Fund Balance

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The effect of this change on opening fund balance follows:

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (continued)

	Governmental Fund
	Special Revenue
Fund Balance at December 31, 2000	\$387,452
Restatement:	
Implementation of GASB 33	14,428
Restated Amount at December 31, 2000	\$401,880

Total liabilities in the general long-term obligations account group decreased by \$22,340, from \$780,796 to \$758,456, due to a change in accounting estimate for compensated absences payable and an overstatement of capital leases payable.

NOTE 4 - ACCOUNTABILITY

Accountability

The waste collection enterprise fund had a retained earnings deficit of \$1,357 at December 31, 2001. The deficit in this fund is a result of revenues not covering operational costs. The City is continuing to monitor this deficit and may consider providing their own waste collections services as it has done in the past.

NOTE 5 - BUDGET TO GAAP RECONCILIATION

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

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

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 5 - BUDGET TO GAAP RECONCILIATION (continued)

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

3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds and the expendable trust fund (GAAP basis) or note disclosure for enterprise funds.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$117,987)	\$20,281	\$11,889	\$734,145	\$14
Adjustments:					
Revenue Accruals	36,601	7,218	0	0	0
Expenditure Accruals	(25,182)	22,590	0	103,660	0
Prepaid Items	901	0	0	0	0
Encumbrances	(91,956)	(17,821)	0	0	0
Budget Basis	(\$197,623)	\$32,268	\$11,889	\$837,805	\$14

Net Income/Excess of Revenues Over Expenses All Enterprise Funds	
GAAP Basis	\$1,101
Adjustments:	
Expense Accruals	1,062
Depreciation Expense	3,680
Encumbrances	(1,552)
Budget Basis	\$4,291

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

1. Interim deposits in duly authorized depositories of the City, provided those deposits are properly insured or collateralized as required by law;
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 and reverse repurchase agreements are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held until maturity.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements."

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits

At year end, the carrying amount of the City's deposits was \$698,244 and the bank balance was \$786,325. Of the bank balance, \$108,414 was covered by federal depository insurance, and \$677,911 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

Investments

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

This investment had a carrying amount and fair value of \$1,351,962. However, the investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the general purpose financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash & Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,050,206	\$0
Investments:		
STAR Ohio	(1,351,962)	1,351,962
GASB Statement 3	\$698,244	\$1,351,962

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 7 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). The 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

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

The assessed value for the taxes collected in 2001 was \$112,262,090 of which real property represented 92 percent (\$103,061,970) of the total, public utility property represented 5 percent (\$6,071,070) of the total, and tangible personal property represented 3 percent (\$3,129,050) of the total. The full tax rate for all City operations for the year ended December 31, 2001, was \$12.84 per \$1,000 of assessed value.

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

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

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 8 - INCOME TAX

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

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

In 2001, the proceeds were allocated to the general fund. Income tax revenue for 2001 was \$1,742,122.

NOTE 9 - RECEIVABLES

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

A summary of intergovernmental receivables follows:

<u>General Fund</u>	
Liquor Licensing Fees	\$180
Homestead and Rollback	36,078
Local Government Revenue Assistance	12,369
Undivided Local Government	16,479
Inheritance Tax	94,262
Bureau of Workers' Compensation Refund	2,493
Total General Fund	<u>161,861</u>
<u>Special Revenue Fund</u>	
<u>Street Construction, Maintenance and Repair</u>	
Motor Vehicle Registration	24,265
Gasoline Cents per Gallon	52,792
State Gasoline Excise Tax	25,706
Total Street Construction, Maintenance and Repair Fund	<u>\$102,763</u>
	(continued)

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 9 - RECEIVABLES (continued)

<u>Debt Service Fund</u>	
<u>Capital Housing Funds</u>	
Homestead and Rollback	\$7,151
 <u>Capital Projects Fund</u>	
<u>3 Mil Street Construction Repair Fund</u>	
Homestead and Rollback	8,314
Total All Funds	\$280,089

NOTE 10 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at December 31, 2001, follows:

Buildings and Building Improvements	\$165,600
Less: Accumulated Depreciation	(60,720)
Net Fixed Assets	\$104,880

Changes in general fixed assets during the year ended December 31, 2001, were as follows:

Asset Category	Balance at December 31, 2000	Additions	Deletions	Balance at December 31, 2001
Land and Land Improvements	\$354,400	\$0	\$0	\$354,400
Buildings and Building Improvements	2,113,000	0	0	2,113,000
Furniture and Equipment	2,809,705	182,615	104,639	2,887,681
Totals	\$5,277,105	\$182,615	\$104,639	\$5,355,081

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local government. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$86,974, \$42,645, and \$65,599, respectively. The full amount has been contributed for 2000 and 1999. 76.07 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. 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 by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$66,829 and \$71,829 for the year ended December 31, 2001, \$73,253 and \$82,304 for the year ended December 31, 2000, and \$75,835 and \$75,201 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 68.27 percent and 65.61 percent, respectively, have been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 12 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

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

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

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$40,431. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

Ohio Police and Fire Pension Fund

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000, the percent used to fund healthcare was 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$41,768 for police and \$32,650 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated unused vacation time is paid to employees by year-end. Balances are not carried forward.

Full time employees of the City of Cheviot are credited with sick leave of 15 days per year. There is not a maximum sick leave accumulation amount. Upon retirement, payment is made to non-administrative employees of the City for one-fourth of the total sick leave accumulation, up to a maximum payout of 25 days for maintenance department, 120 days for police department and 480 hours for fire department employees. The administrative employees do not receive any payment for accumulated sick days.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 13 - OTHER EMPLOYEE BENEFITS (continued)

Insurance Benefits

The City has elected to provide employee medical/surgical and life insurance benefits through United HealthCare for all full-time employees. The City pays 100 percent of the monthly premium for administrative employees. The City pays 100 percent of the monthly premium for union employees up to an annual cap of \$5,829.84 per employee. After surpassing the cap, the City pays 65 percent and the union employees pay 35 percent.

Deferred Compensation

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

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For year 2001, the City contracted with American Alternative Insurance Corporation for municipal general liability, municipal automobile liability, and with National Casualty Company for the public officials and employees liability and law enforcement liability insurance. Coverage is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$2,000,000	\$0
Municipal Automobile Liability	100,000/300,000	100/250
Public Official	1,000,000	5,000
Law Enforcement Liability	1,000,000	5,000
Boiler and Machinery	100,000	50
Buildings	varies with value of building	250

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Restated Balance at December 31, 2000	Increase	Decreases	Balance at December 31, 2001
General Obligation Bonds:				
Unvoted:				
1997 Automotive Equipment Bond, 5.85%	\$135,823	\$0	\$59,078	\$76,745
Voted:				
1986 Municipal Building Bond, 7.38%	480,000	0	80,000	400,000
TOTAL - General Obligation Bonds	<u>615,823</u>	<u>0</u>	<u>139,078</u>	<u>476,745</u>
Other Long-Term Obligations:				
Compensated Absences Payable	42,791	3,177	0	45,968
Due to Other Governments	99,842	102,374	99,842	102,374
TOTAL - Other Long-Term Obligations	<u>142,633</u>	<u>105,551</u>	<u>99,842</u>	<u>148,342</u>
TOTAL - General Long-Term Obligations	<u>\$758,456</u>	<u>\$105,551</u>	<u>\$238,920</u>	<u>\$625,087</u>

The Automotive Equipment bonds were issued on April 21, 1997, in the amount of \$312,685 for the purpose of acquiring automotive equipment including a waste collection vehicle and a fire truck. The bonds were issued at a 5.85 percent interest rate and will reach maturity on April 21, 2002. The bonds are paid from the equipment acquisition debt service fund.

The Municipal Building bonds were issued on August 1, 1986, in the amount of \$1,595,000 for the construction of a municipal building. The bonds were issued at a 7.38 percent interest rate and will reach maturity on November 1, 2006. The bonds are paid from the equipment acquisition debt service fund.

Compensated absences and due to other governments will be paid from the fund from which the person is paid.

As of December 31, 2001, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,445,914, and the unvoted legal debt margin was \$5,832,810.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

	Automotive Equipment Bond	Municipal Building Bond	Total
2002	\$80,831	\$109,500	\$190,331
2003	0	103,600	103,600
2004	0	97,700	97,700
2005	0	91,800	91,800
2006	0	85,900	85,900
Total	<u>\$80,831</u>	<u>\$488,500</u>	<u>\$569,331</u>

NOTE 16 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of the swimming pool and waste collection services. Key financial information as of and for the year ended December 31, 2001, for each enterprise fund is as follows:

	Swimming Pool	Waste Collection	Total
Operating Revenues	\$42,000	\$9,086	\$51,086
Depreciation Expense	3,680	0	3,680
Operating Income (Loss)	684	(20,583)	(19,899)
Operating Transfers	0	21,000	21,000
Net Income	684	417	1,101
Net Working Capital	18,419	(1,357)	17,062
Total Assets	123,395	1,458	124,853
Total Equity (Deficit)	123,299	(1,357)	121,942
Encumbrances	0	1,552	1,552

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

Ohio-Kentucky-Indiana Regional Council of Governments - The City participates in the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). OKI members include Butler, Clermont, Hamilton and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. The purpose of OKI is to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plan within the OKI Region. OKI also serves as an area wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the counties who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county and municipal corporation, one individual selected by each County planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. If the organization were to dissolve, OKI's net assets shall revert to the said public bodies in proportion to each body's contribution towards the assets.

Payments to OKI are made from the general fund. The amount the City paid during 2001 was immaterial. To obtain financial information, write to Barry Blank, Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St. - Suite 400, Cincinnati, Ohio, 45203.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

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

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

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

NOTE 18 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 2001, to December 31, 2001, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 19 – LEGAL COMPLIANCE

During the year ended December 31, 2001, the City failed to comply with the provisions of Section 5705.41(D) of the Ohio Revised Code and with Section 117-02-02(C)(2) of the Ohio Administrative Code, which require that the City certify funds and properly encumber purchases, respectively.

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**City of Cheviot
Hamilton County
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$685,054	\$346,299	\$123,251	\$77,930
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Property Taxes	579,206	0	111,314	136,450
Income Taxes	333,844	0	0	0
Other Local Taxes	0	5,956	0	0
Accounts	79,272	5,550	0	0
Due from Other Governments	117,656	33,205	0	0
Prepaid Items	17,179	0	0	0
Materials and Supplies Inventory	12,214	20,851	0	0
Fixed Assets (net where applicable, of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>\$1,824,425</u>	<u>\$411,861</u>	<u>\$234,565</u>	<u>\$214,380</u>
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$31,013	\$5,046	\$0	\$0
Contracts Payable	17,521	4,582	0	3,100
Accrued Salaries Payable	82,067	12,933	0	0
Due to Other Governments	84,271	1,848	0	0
Deferred Revenue	579,206	0	111,314	136,450
Compensated Absences Payable	0	0	0	0
Undistributed Monies	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Lease Obligations Payable	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>794,078</u>	<u>24,409</u>	<u>111,314</u>	<u>139,550</u>
Fund Equity:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings, Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	71,647	73,657	0	0
Reserved for Materials and Supplies Inventory	12,214	20,851	0	0
Unreserved, Undesignated	946,486	292,944	123,251	74,830
	<u>946,486</u>	<u>292,944</u>	<u>123,251</u>	<u>74,830</u>
Total Fund Equity	<u>1,030,347</u>	<u>387,452</u>	<u>123,251</u>	<u>74,830</u>
Total Liabilities and Fund Equity	<u>\$1,824,425</u>	<u>\$411,861</u>	<u>\$234,565</u>	<u>\$214,380</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$14,130	\$2,107	\$0	\$0	\$1,248,771
0	1,120	0	0	1,120
0	0	0	0	826,970
0	0	0	0	333,844
0	0	0	0	5,956
0	0	0	0	84,822
0	0	0	0	150,861
0	0	0	0	17,179
0	0	0	0	33,065
108,560	0	5,277,105	0	5,385,665
0	0	0	123,251	123,251
0	0	0	657,545	657,545
<u>\$122,690</u>	<u>\$3,227</u>	<u>\$5,277,105</u>	<u>\$780,796</u>	<u>\$8,869,049</u>
\$75	\$0	\$0	\$0	\$36,134
1,774	0	0	0	26,977
0	0	0	0	95,000
0	0	0	99,842	185,961
0	0	0	0	826,970
0	0	0	64,043	64,043
0	1,325	0	0	1,325
0	0	0	615,823	615,823
0	0	0	1,088	1,088
<u>1,849</u>	<u>1,325</u>	<u>0</u>	<u>780,796</u>	<u>1,853,321</u>
0	0	5,277,105	0	5,277,105
120,841	0	0	0	120,841
0	0	0	0	145,304
0	0	0	0	33,065
0	1,902	0	0	1,439,413
<u>120,841</u>	<u>1,902</u>	<u>5,277,105</u>	<u>0</u>	<u>7,015,728</u>
<u>\$122,690</u>	<u>\$3,227</u>	<u>\$5,277,105</u>	<u>\$780,796</u>	<u>\$8,869,049</u>

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**City of Cheviot
Hamilton County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2000**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$647,034	\$0	\$113,069	\$135,343	\$0	\$895,446
Income Taxes	1,703,317	0	0	0	0	1,703,317
Other Local Taxes	0	96,176	0	0	0	96,176
Intergovernmental	690,768	210,442	14,602	16,729	0	932,541
Charges for Services	99	0	0	0	0	99
Fines, Licenses and Permits	197,065	36,987	0	0	0	234,052
Rent	74,687	0	0	0	0	74,687
Interest	69,448	7,240	0	0	0	76,688
Donations	0	545	48	0	0	593
Miscellaneous	93,980	7,169	0	0	9	101,158
Total Revenues	3,476,398	358,559	127,719	152,072	9	4,114,757
Expenditures:						
Current:						
Security of Persons and Property	1,626,333	34,859	0	0	0	1,661,192
Transportation	188,243	244,036	0	0	0	432,279
Public Health Services	6,078	0	0	0	0	6,078
Public Works	332,584	0	0	0	0	332,584
Leisure Time Activities	132,037	904	0	0	0	132,941
Community Environment	900	0	0	0	0	900
General Government	1,034,676	2,486	2,087	0	90	1,039,339
Capital Outlay	36,473	5,181	0	98,991	0	140,645
Debt Service:						
Principal Retirement	2,040	0	142,336	0	0	144,376
Interest and Fiscal Charges	561	0	49,494	0	0	50,055
Total Expenditures	3,359,925	287,466	193,917	98,991	90	3,940,389
Excess of Revenues Over (Under) Expenditures	116,473	71,093	(66,198)	53,081	(81)	174,368
Other Financing Sources (Uses):						
Operating Transfers - In	0	42,336	70,530	0	0	112,866
Operating Transfers - Out	(134,149)	0	0	0	0	(134,149)
Total Other Financing Sources (Uses)	(134,149)	42,336	70,530	0	0	(21,283)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(17,676)	113,429	4,332	53,081	(81)	153,085
Fund Balances at Beginning of Year - Restated (See Note 3)	955,018	374,832	118,919	21,749	1,983	1,472,501
Increase (Decrease) in Reserve for Inventory	4,208	(12,012)	0	0	0	(7,804)
Residual Equity Transfers	88,797	(88,797)	0	0	0	0
Fund Balances at End of Year	\$1,030,347	\$387,452	\$123,251	\$74,830	\$1,902	\$1,617,782

See Accompanying Notes to the General Purpose Financial Statements.

**City of Cheviot
Hamilton County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$720,932	\$647,034	(\$73,898)	\$0	\$0	\$0
Income Taxes	1,607,000	1,709,487	102,487	0	0	0
Other Local Taxes	0	0	0	95,000	96,858	1,858
Intergovernmental	523,520	700,889	177,369	210,000	242,895	32,895
Charges for Services	2,850	1,552	(1,298)	0	0	0
Fines, Licenses and Permits	201,800	194,825	(6,975)	47,350	30,937	(16,413)
Rent	70,100	74,687	4,587	0	0	0
Interest	82,000	69,448	(12,552)	0	7,240	7,240
Donations	900	0	(900)	1,350	1,045	(305)
Miscellaneous	25,200	26,895	1,695	6,915	12,038	5,123
Total Revenues	3,234,302	3,424,817	190,515	360,615	391,013	30,398
Expenditures:						
Current:						
Security of Persons and Property	1,689,689	1,651,806	37,883	64,438	37,059	27,379
Transportation	192,002	192,002	0	351,431	256,632	94,799
Public Health Services	7,000	6,078	922	0	0	0
Public Works	348,198	337,520	10,678	0	0	0
Leisure Time Activities	149,326	134,834	14,492	918	904	14
Community Environment	1,100	900	200	0	0	0
General Government	1,074,047	998,864	75,183	5,694	2,486	3,208
Capital Outlay	67,611	56,364	11,247	65,323	65,323	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,528,973	3,378,368	150,605	487,804	362,404	125,400
Excess of Revenues Over (Under) Expenditures	(294,671)	46,449	341,120	(127,189)	28,609	155,798
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	950	0	(950)	0	0	0
Operating Transfers - In	0	88,797	88,797	0	42,336	42,336
Operating Transfers - Out	(238,431)	(134,149)	104,282	0	(88,797)	(88,797)
Total Other Financing Sources (Uses)	(237,481)	(45,352)	192,129	0	(46,461)	(46,461)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(532,152)	1,097	533,249	(127,189)	(17,852)	109,337
Fund Balances at Beginning of Year	552,426	552,426	0	271,120	271,120	0
Prior Year Encumbrances Appropriated	56,202	56,202	0	16,837	16,837	0
Fund Balances (Deficit) at End of Year	\$76,476	\$609,725	\$533,249	\$160,768	\$270,105	\$109,337

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$109,600	\$113,069	-3,469	\$132,200	\$135,343	\$3,143	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
14,000	14,602	(602)	356,687	16,729	(339,958)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	48	48	0	0	0	0	0	0
0	0	0	0	0	0	500	9	(491)
<u>123,600</u>	<u>127,719</u>	<u>(4,023)</u>	<u>488,887</u>	<u>152,072</u>	<u>(336,815)</u>	<u>500</u>	<u>9</u>	<u>(491)</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
2,050	2,087	(37)	0	0	0	450	90	360
0	0	0	514,182	97,688	416,494	0	0	0
142,336	142,336	0	0	0	0	0	0	0
52,891	49,494	3,397	0	0	0	0	0	0
<u>197,277</u>	<u>193,917</u>	<u>3,360</u>	<u>514,182</u>	<u>97,688</u>	<u>416,494</u>	<u>450</u>	<u>90</u>	<u>360</u>
<u>(73,677)</u>	<u>(66,198)</u>	<u>7,479</u>	<u>(25,295)</u>	<u>54,384</u>	<u>79,679</u>	<u>50</u>	<u>(81)</u>	<u>(131)</u>
0	0	0	0	0	0	0	0	0
74,000	70,530	(3,470)	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>74,000</u>	<u>70,530</u>	<u>(3,470)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
323	4,332	4,009	(25,295)	54,384	79,679	50	(81)	(131)
118,919	118,919	0	23,546	23,546	0	1,983	1,983	0
0	0	0	0	0	0	0	0	0
<u>\$119,242</u>	<u>\$123,251</u>	<u>\$4,009</u>	<u>(\$1,749)</u>	<u>\$77,930</u>	<u>\$79,679</u>	<u>\$2,033</u>	<u>\$1,902</u>	<u>(\$131)</u>

**City of Cheviot
Hamilton County
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Enterprise Funds
For the Year Ended December 31, 2000**

Operating Revenues:	
Charges for Services	<u>\$44,753</u>
Total Operating Revenues	<u>44,753</u>
Operating Expenses:	
Personal Services	20,648
Contractual Services	35,626
Materials and Supplies	7,282
Depreciation	<u>3,680</u>
Total Operating Expenses	<u>67,236</u>
Net Loss before Operating Transfers	(22,483)
Operating Transfers - In	<u>21,283</u>
Net Loss	(1,200)
Retained Earnings at Beginning of Year	<u>122,041</u>
Retained Earnings at End of Year	<u><u>\$120,841</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**City of Cheviot
Hamilton County
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 2000**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$50,000	\$44,753	(\$5,247)
Total Revenues	<u>50,000</u>	<u>44,753</u>	<u>(5,247)</u>
Expenses:			
Personal Services	24,000	20,648	3,352
Contractual Services	47,005	36,121	10,884
Materials and Supplies	10,000	7,479	2,521
Total Expenses	<u>81,005</u>	<u>64,248</u>	<u>16,757</u>
Excess of Revenues Under Expenses Before Operating Transfers	(31,005)	(19,495)	11,510
Operating Transfers - In	<u>25,000</u>	<u>21,283</u>	<u>(3,717)</u>
Excess of Revenues Over (Under) Expenses and Operating Transfers	(6,005)	1,788	7,793
Fund Equity at Beginning of Year	12,190	12,190	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity at End of Year	<u>\$6,185</u>	<u>\$13,978</u>	<u>\$7,793</u>

See Accompanying Notes to the General Purpose Financial Statements.

**City of Cheviot
Hamilton County
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2000**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$44,753
Cash Payments for Employee Services and Benefits	(20,648)
Cash Payments to Suppliers for Goods and Services	<u>(43,448)</u>
Net Cash Used for Operating Activities	<u>(19,343)</u>

Cash Flows from Non-Capital Financing Activities:

Principal Paid on Short - Term Note	
Advances From Other Funds	
Operating Transfers - In	<u>21,283</u>
Net Cash Provided by Non-Capital Financing Activities	<u>21,283</u>

Net Increase in Cash and Cash Equivalents	1,940
Cash and Cash Equivalents at Beginning of Year	<u>12,190</u>
Cash and Cash Equivalents at End of Year	<u><u>\$14,130</u></u>

**Reconciliation of Operating Loss to
Net Cash Used for Operating Activities:**

Operating Loss	(\$22,483)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	3,680
Changes in Assets and Liabilities:	
Increase in Accounts Payable	30
Decrease in Contracts Payable	<u>(570)</u>
Net Cash Used for Operating Activities	<u><u>(\$19,343)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Cheviot (the "City") is a non-chartered municipal corporation operating under the laws of the State of Ohio. The community was established in 1818 as part of Green Township; it then became a village on July 1, 1901, before being converted to a City on January 1, 1932. The municipal government is known as a Council/Manager form of government. Legislative power is vested in a eight-member council: four members elected by wards, three elected at large, and a Mayor elected at large. The Mayor appoints a Safety Service Director. The Safety Service Director is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees, except Clerk of Council, who is appointed by Council.

Reporting Entity

A reporting entity is comprised of the primary government, related 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 of Cheviot is divided into departments, financial management and control systems. Services provided include police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

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

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

The City is associated with three organizations which are defined as jointly governed organizations. These organizations are the Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments (OKI) and the Hamilton County Municipal League (HCML). These organizations are presented in Note 18 of the General Purpose Financial Statements.

Basis of Presentation - Fund Accounting

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

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

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

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

Governmental Fund Types

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

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

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

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

Proprietary Fund Type

The proprietary funds are used to account for the City's ongoing activities that are similar to those often found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing goods or services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

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

Fiduciary Fund Types

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

Account Groups

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

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the City, other than those fixed assets accounted for in the enterprise funds.

General Long-Term Obligations Account Group - This account group is used to account for all long-term obligations of the City except those accounted for in the enterprise funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cheviot have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

Measurement Focus and Basis of Accounting

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

The enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The City currently does not have any contributed capital. Enterprise funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income taxes withheld by employers, state-levied locally shared taxes (including gasoline tax), rentals, and fines, licenses and permits.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2000, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations have been recorded as a receivable and deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when incurred, if measurable.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the program level within each fund (general fund - security of persons and property, transportation, public health services, public works, leisure time activities, community environment, general government, capital outlay, debt service). This is the level at which City Council approves appropriations. The allocation of appropriations between line items within a program may be modified with approval of the Safety Service Director. All other budgetary modifications may only be made by resolution of the City Council.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested for 2000.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. During the year several supplemental appropriation measures were passed, although none of these supplements were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations

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

Cash and Cash Equivalents

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

During 2000, the City's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2000.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$69,448, which includes \$35,388 assigned from other City funds. The street construction, maintenance and repair and the permissive motor vehicle tax special revenue funds received interest in the amount of \$4,264 and \$2,976, respectively.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the enterprise funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. The enterprise funds did not have any significant inventory on hand at year-end.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets are assets used in providing services accounted for in enterprise funds. They are accounted for within the enterprise funds.

All purchased fixed assets are valued at cost when historical records are available and estimated historical where no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. An improvement to a fund fixed asset is depreciated over the remaining useful life of the related asset.

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

Assets in the general fixed assets account group are not depreciated. Depreciation of enterprise fixed assets is computed using the straight-line method over the following useful lives:

Buildings and Building Improvements	40 year
-------------------------------------	---------

Intergovernmental Revenues

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions

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

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

Compensated Absences

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are not accrued because City employees must use all their vacation leave by the end of the year, or they are paid their entire vacation balance prior to December 31.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. The City did not have any current unpaid compensated absences as of December 31, 2000.

Accrued Liabilities and Long-Term Debt

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

General obligation bonds and capital lease obligations are recognized as a liability of the general long-term obligations account group until due.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	Will be paid by the fund from which the employee's salary is paid
Capital Lease Obligations	Will be paid by the general fund
Due to Other Governments	Will be paid by the fund from which the employee's salary is paid
General Obligation Bonds	Will be paid by the equipment acquisition debt service fund

Reservations of Fund Balance

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

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.

Total Columns on General Purpose Financial Statements

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

NOTE 3 - PRIOR YEAR RESTATEMENTS

Total liabilities in the general long-term obligations account group decreased by \$25,150, from \$932,741 to \$907,591, due to an overstatement of judgements payable, capital leases payable and compensated absences payable.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 3 - PRIOR YEAR RESTATEMENTS (continued)

The intergovernmental receivable in the general fund was understated and the intergovernmental receivable in the COPS Fast special revenue fund was overstated by the same amount. Also, the intergovernmental payable liability was overstated in the general fund.

The effect of these changes on the excess of revenues and other financing sources over (under) expenditures and other financing uses and December 31, 1999, fund balances as previously reported for the year ended December 31, 1999, is as follows:

	General	Special Revenue
Excess as previously reported	(\$49,726)	\$26,699
Restatement for Intergovernmental Receivable	25,756	(25,756)
Restatement for Intergovernmental Payable	57,152	0
Restated Amounts for the year ended December 31, 1999	\$33,182	\$943
	General	Special Revenue
Fund Balances at December 31, 1999	\$872,110	\$400,588
Restatement for Intergovernmental Receivable	25,756	(25,756)
Restatement for Intergovernmental Payable	57,152	0
Fund Balances Restated at December 31, 1999	\$955,018	\$374,832

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Accountability

The waste collection enterprise fund had a retained earnings deficit of \$1,774 at December 31, 2000. The deficit in this fund is a result of revenues not covering operational costs. The City is going to continue to monitor this deficit and may consider providing their own waste collections services as it has done in the past.

Compliance

The following budgetary programs had an excess of expenditures plus encumbrances over appropriations for the year ended December 31, 2000:

	Excess
COPS Fast Special Revenue Fund:	
Operating Transfers – Out	\$88,797
Debt Service Fund:	
General Government	37

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The street maintenance and repair special revenue fund and the three mil street improvement construction capital projects fund had appropriations in excess of estimated resources plus available balances for the year ended December 31, 2000, in the amount of \$939 and \$1,749, respectively.

NOTE 5 - BUDGET TO GAAP RECONCILIATION

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds and the expendable trust fund (GAAP basis) or note disclosure for enterprise funds.

The adjustments necessary to convert the results of operations for the year ended December 31, 2000, on the GAAP basis to the budget basis are as follows:

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 5 - BUDGET TO GAAP RECONCILIATION (continued)

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$17,676)	\$113,429	\$4,332	\$53,081	(\$81)
Adjustments:					
Revenue Accruals	(51,581)	32,454	0	0	0
Expenditure Accruals	56,886	1,256	0	1,303	0
Transfers	88,797	(88,797)	0	0	0
Encumbrances	(75,329)	(76,194)	0	0	0
Budget Basis	\$1,097	(\$17,852)	\$4,332	\$54,384	(\$81)

Net Loss/Excess of Revenues
Over Expenses
All Enterprise Funds

GAAP Basis	(\$1,200)
Adjustments:	
Expense Accruals	(540)
Depreciation Expense	3,680
Encumbrances	(152)
Budget Basis	\$1,788

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

1. Interim deposits in duly authorized depositories of the City, provided those deposits are properly insured or collateralized as required by law;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements."

Deposits

At year end, the carrying amount of the City's deposits was \$434,187 and the bank balance was \$471,269. Of the bank balance, \$170,782 was covered by federal depository insurance, and \$300,487 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

Investments

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

This investment had a carrying amount and fair value of \$815,704. However, the investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the general purpose financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

	Cash & Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,249,891	\$0
Investments:		
STAR Ohio	(815,704)	815,704
GASB Statement 3	\$434,187	\$815,704

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2000 for real and public utility property taxes is for 1999 taxes and property tax revenue received during 2000 for tangible personal property (other than public utility property) is for 2000 taxes.

2000 real property taxes are levied after October 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). The 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of assessed valuations.

The assessed value for the taxes collected in 2000 was \$112,551,180 of which real property represented 92 percent (\$103,061,970) of the total, public utility property represented five percent (\$6,071,070) of the total, and tangible personal property represented three percent (\$3,418,140) of the total. The full tax rate for all City operations for the year ended December 31, 2000, was \$12.84 per \$1,000 of assessed value.

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

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 7 - PROPERTY TAXES (continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Cheviot. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2000 operations. The receivable is offset by deferred revenue.

NOTE 8 - INCOME TAX

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

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

In 2000, the proceeds were allocated to the general fund. Income tax revenue for 2000 was \$1,703,317.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2000, consisted of property taxes, income taxes, other local taxes, accounts and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 9 - RECEIVABLES (continued)

<u>General Fund</u>	
Liquor Licensing Fees	\$82
Emergency Medical Service Grant	2,008
Local Government Revenue Assistance	4,946
Undivided Local Government	7,613
Inheritance Tax	48,955
Bureau of Workers' Compensation Refund	54,052
Total General Fund	117,656
 <u>Special Revenue Funds</u>	
<u>Street Construction, Maintenance and Repair</u>	
Motor Vehicle Registration	3,120
Gasoline Cents per Gallon	16,449
State Gasoline Excise Tax	8,314
Total Street Construction, Maintenance and Repair Fund	\$27,883
<u>Crime Prevention</u>	
Crime Prevention Grant	\$5,222
Immobilization Fees	100
Total Crime Prevention Fund	5,322
Total Special Revenue Funds	33,205
 Total All Funds	 \$150,861

NOTE 10 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at December 31, 2000, follows:

Buildings and Building Improvements	\$165,600
Less: Accumulated Depreciation	(57,040)
Net Fixed Assets	\$108,560

A summary of the changes in general fixed assets during the year ended December 31, 2000, were as follows:

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 10 - FIXED ASSETS (continued)

Asset Category	Balance at December 31, 1999	Additions	Deletions	Balance at December 31, 2000
Land and Land Improvements	\$354,400	\$0	\$0	\$354,400
Buildings and Building Improvements	2,113,000	0	0	2,113,000
Furniture and Equipment	2,798,727	67,519	56,541	2,809,705
Totals	<u>\$5,266,127</u>	<u>\$67,519</u>	<u>\$56,541</u>	<u>\$5,277,105</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$42,645, \$65,599, and \$105,894, respectively. The full amount has been contributed for 1999 and 1998. 57 percent has been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. 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 by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215 - 5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 1999, the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$73,253 and \$82,304 for the year ended December 31, 2000, \$75,835 and \$75,201 for the year ended December 31, 1999, and \$93,778 and \$95,301 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 71.41 percent and 69.38 percent, respectively, have been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually

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

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$28,038. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2000. For 1999 the percent used to fund healthcare was 7 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund postemployment benefits were \$43,354 for police and \$35,624 for fire. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated unused vacation time is paid to employees by year-end. Balances are not carried forward.

Full time employees of the City of Cheviot are credited with sick leave of 15 days per year. There is not a maximum sick leave accumulation amount. Upon retirement, payment is made to non-administrative employees of the City for one-fourth of the total sick leave accumulation, up to a maximum payout of 25 days for maintenance department, 120 days for police department and 480 hours for fire department employees. The administrative employees do not receive any payment for accumulated sick days.

Insurance Benefits

The City has elected to provide employee medical/surgical and life insurance benefits through United HealthCare for all full-time employees. The City pays 100 percent of the monthly premium for administrative employees. The City pays 100 percent of the monthly premium for union employees up to an annual cap of \$5,829.84 per employee. After surpassing the cap, the City pays 65 percent and the union employees pay 35 percent.

Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan is 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.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2000, the City contracted with American Alternative Insurance Corporation for municipal general liability, municipal automobile liability, and to National Casualty Company for the public officials and employees liability and law enforcement liability insurance. The coverages and deductibles are as follows:

Type of Coverage	Coverage	Deductible
Municipal General Liability	\$2,000,000	\$0
Municipal Automobile Liability	100,000/300,000	100/250
Public Official	1,000,000	5,000
Law Enforcement Liability	1,000,000	5,000
Boiler and Machinery	100,000	50
Buildings	varies with value of building	250

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During prior years, the City entered into capital leases for the acquisition of reproduction equipment. The terms of each agreement provide options to purchase the equipment. The leases meet the criteria of capital leases 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 combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Equipment acquired by lease has been capitalized in the general fixed assets account group at amounts equal to the present value of the future minimum lease payments at the time of acquisition. The amount capitalized in the general fixed assets account group was \$9,744. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2000 totaled \$2,040 in the governmental funds. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2000.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE (continued)

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
2001	\$1,186
Total Minimum Lease Payments	1,186
Less: Amount Representing Interest	(98)
Present Value of Minimum Lease Payments	\$1,088

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2000 were as follows:

	Restated			
	Balance at December 31, 1999	Increases	Decreases	Balance at December 31, 2000
General Obligation Bonds:				
Unvoted:				
1997 Automotive Equipment Bond, 5.85%	\$198,159	\$0	\$62,336	\$135,823
Voted:				
1986 Municipal Building Bond, 7.38%	560,000	0	80,000	480,000
TOTAL - General Obligation Bonds	758,159	0	142,336	615,823
Other Long-Term Obligations:				
Compensated Absences Payable	55,946	8,097	0	64,043
Capital Lease Obligations	3,128	0	2,040	1,088
Due to Other Governments	90,358	99,842	90,358	99,842
TOTAL - Other Long-Term Obligations	149,432	107,939	92,398	164,973
TOTAL - General Long-Term Obligations	\$907,591	\$107,939	\$234,734	\$780,796

The Automotive Equipment bonds were issued on April 21, 1997, in the amount of \$312,685 for the purpose of acquiring automotive equipment including a waste collection vehicle and a fire truck. The bonds were issued at a 5.85 percent interest rate and will reach maturity on April 21, 2002. The bonds are paid from the equipment acquisition debt service fund.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

The Municipal Building bonds were issued on August 1, 1986, in the amount of \$1,595,000 for the construction of a municipal building. The bonds were issued at a 7.38 percent interest rate and will reach maturity on November 1, 2006. The bonds are paid from the equipment acquisition debt service fund.

Compensated absences and due to other governments will be paid from the fund from which the person is paid. The capital lease obligations will be paid from the general fund.

As of December 31, 2000, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,325,302, and the unvoted legal debt margin was \$5,697,743.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2000, were:

	Automotive Equipment Bond	Municipal Building Bond	Total
2001	\$73,928	\$115,400	\$189,328
2002	73,927	109,500	183,427
2003	0	103,600	103,600
2004	0	97,700	97,700
2005	0	91,800	91,800
2006	0	85,900	85,900
Total	<u>\$147,855</u>	<u>\$603,900</u>	<u>\$751,755</u>

NOTE 17 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of the swimming pool and waste collection services. Key financial information as of and for the year ended December 31, 2000, for each enterprise fund is as follows:

	Swimming Pool	Waste Collection	Total
Operating Revenues	\$38,413	\$6,340	\$44,753
Depreciation Expense	3,680	0	3,680
Operating Loss	(1,354)	(21,129)	(22,483)
Operating Transfers	0	21,283	21,283
Net Income (Loss)	(1,354)	154	(1,200)
Net Working Capital	14,055	(1,774)	12,281
Total Assets	122,690	0	122,690
Total Equity (Deficit)	122,615	(1,774)	120,841
Encumbrances	152	0	152

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Center for Local Government - The Center for Local Government was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The City does not have any financial interest in or responsibility for the Center. The City's financial contribution during 2000 were immaterial. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Ohio, 45236.

Ohio-Kentucky-Indiana Regional Council of Governments - The City participates in the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). OKI members include Butler, Clermont, Hamilton and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. The purpose of OKI is to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plan within the OKI Region. OKI also serves as an area wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the counties who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county and municipal corporation, one individual selected by each County planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. If the organization were to dissolve, OKI's net assets shall revert to the said public bodies in proportion to each body's contribution towards the assets.

Payments to OKI are made from the general fund. The amount the City paid during 2000 was immaterial. To obtain financial information, write to Barry Blank, Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St. - Suite 400, Cincinnati, Ohio, 45203.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

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

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

Payments to the HCML are made from the general fund. The amount the City paid during 2000 was immaterial. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

NOTE 19 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 2000, to December 31, 2000, 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 CHEVIOT
HAMILTON COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 20 – LEGAL COMPLIANCE

During the year ended December 31, 2000, the City failed to comply with the provisions of Section 5705.41(D) of the Ohio Revised Code and with Section 117-02-02(C)(2) of the Ohio Administrative Code, which require that the City certify funds and properly encumber purchases, respectively.

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

City of Cheviot
Hamilton County
3814 Harrison Avenue
Cincinnati, Ohio 45211

To the City Council:

We have audited the financial statements of the City of Cheviot, Hamilton County, Ohio (the City), as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated July 12, 2002, wherein we noted that the City adopted Governmental Accounting Standards Boards Statements No. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-20431-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated July 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-20431-001.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

July 12, 2002

**CITY OF CHEVIOT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-20431-001

Noncompliance Citation/Reportable Condition

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

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Auditor may authorize payment through a Then and Now Certificate without affirmation of the City Council, if such expenditure is otherwise valid.

Also, Ohio Admin. Code, Section 117-02-02(c)(2), prescribes the encumbrance procedures which are necessary to make a valid purchase.

Goods and services were obtained prior to obtaining the certificate of the fiscal officer and the City did not use proper encumbrance procedures for 47% of the expenditures reviewed from 2001 and for 57% of the expenditures reviewed from 2000, and did not qualify as an exception to the certification requirements listed above.

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**CITY OF CHEVIOT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
1999-20431-001	Citation of Ohio Rev.Code, Section 5705.41(D), failure to certify availability of funds.	No	Not corrected. This has been reissued as finding 2001-20431-001.
1999-20431-002	Citation of Ohio Admin. Code (OAC), Section 117-3, failure to follow proper procedures for encumbrance.	No	Not corrected. This issue is now described in OAC, Section 117-02-02(c)(2), and has been addressed and included in finding 2001-20431-001.



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CITY OF CHEVIOT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 20, 2002**