

***CITY OF CHEVIOT
HAMILTON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Members of City Council
City of Cheviot
3814 Harrison Avenue
Cheviot, Ohio 45211

We have reviewed the *Report of Independent Accountants* of the City of Cheviot, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 21, 2012

This page intentionally left blank.

CITY OF CHEVIOT, OHIO
AUDIT REPORT
For the Year Ended December 31, 2008

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Management’s Discussion and Analysis	3
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	18
Statement of Net Assets – Enterprise Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Fund	20
Statement of Cash Flows – Enterprise Fund	21
Statement of Fiduciary Assets and Liabilities -Agency Funds	22
Notes to the Basic Financial Statements	23
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	48
Schedule of Findings	50
Schedule of Prior Year Audit Findings	51

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

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

To City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio (the "City"), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

December 22, 2011

CITY OF CHEVIOT, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2008*

Unaudited

The discussion and analysis of the City of Cheviot's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 are as follows:

- ❑ In total, net assets decreased \$24,994. Net assets of governmental activities decreased \$20,292, which represents a 1% decrease from 2007. Net assets of business-type activities decreased \$4,702 or 5% from 2007.
- ❑ General revenues accounted for \$4,014,075 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$910,227, 18% of total revenues of \$4,924,302.
- ❑ The City had \$4,907,300 in expenses related to governmental activities; only \$872,933 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,014,075 were adequate to provide for these programs.
- ❑ The City's general fund had \$4,001,298 in revenues and \$3,962,740 in expenditures. The general fund's fund balance decreased from \$386,822 to \$368,904.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF CHEVIOT, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2008*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare, leisure time activities, community environment, public works, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's swimming pool operations are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

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

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the City's swimming pool operations.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2008 compared to 2007.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$3,333,977	\$3,385,843	\$12,242	\$13,581	\$3,346,219	\$3,399,424
Capital assets, Net	2,728,462	2,684,111	81,608	85,326	2,810,070	2,769,437
Total assets	6,062,439	6,069,954	93,850	98,907	6,156,289	6,168,861
Long-term debt outstanding	265,879	284,348	0	0	265,879	284,348
Other liabilities	1,539,438	1,508,192	0	355	1,539,438	1,508,547
Total liabilities	1,805,317	1,792,540	0	355	1,805,317	1,792,895
Net assets						
Invested in capital assets, net of related debt	2,601,163	2,517,410	81,608	85,326	2,682,771	2,602,736
Restricted	787,822	1,013,425	0	0	787,822	1,013,425
Unrestricted	868,137	746,579	12,242	13,226	880,379	759,805
Total net assets	\$4,257,122	\$4,277,414	\$93,850	\$98,552	\$4,350,972	\$4,375,966

This space intentionally left blank.

CITY OF CHEVIOT, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2008

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2008 compared to 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services and Sales	\$371,833	\$387,765	\$37,294	\$40,880	\$409,127	\$428,645
Operating Grants and Contributions	399,400	404,009	0	0	399,400	404,009
Capital Grants and Contributions	101,700	246,025	0	0	101,700	246,025
Total Program Revenues	872,933	1,037,799	37,294	40,880	910,227	1,078,679
General revenues:						
Property Taxes	1,232,342	1,371,420	0	0	1,232,342	1,371,420
Municipal Income Taxes	1,843,617	1,720,759	0	0	1,843,617	1,720,759
Other Local Taxes	70,677	70,793	0	0	70,677	70,793
Intergovernmental Revenues, Unrestricted	721,464	402,976	0	0	721,464	402,976
Investment Earnings	15,980	33,520	0	0	15,980	33,520
Miscellaneous	129,995	8,128	0	0	129,995	8,128
Total General Revenues	4,014,075	3,607,596	0	0	4,014,075	3,607,596
Total Revenues	4,887,008	4,645,395	37,294	40,880	4,924,302	4,686,275
Program Expenses						
Security of Persons and Property	2,060,671	1,975,482	0	0	2,060,671	1,975,482
Public Health and Welfare Services	21,142	6,894	0	0	21,142	6,894
Leisure Time Activities	108,227	145,605	0	0	108,227	145,605
Community Environment	58,580	0	0	0	58,580	0
Public Works	444,717	409,837	0	0	444,717	409,837
Transportation	593,519	333,665	0	0	593,519	333,665
General Government	1,620,090	1,375,027	0	0	1,620,090	1,375,027
Interest and Fiscal Charges	5,354	3,868	0	0	5,354	3,868
Swimming Pool	0	0	41,996	48,069	41,996	48,069
Total expenses	4,907,300	4,250,378	41,996	48,069	4,949,296	4,298,447
Total Change in Net Assets	(20,292)	395,017	(4,702)	(7,189)	(24,994)	387,828
Beginning Net Assets	4,277,414	3,882,397	98,552	105,741	4,375,966	3,988,138
Ending Net Assets	\$4,257,122	\$4,277,414	\$93,850	\$98,552	\$4,350,972	\$4,375,966

Governmental Activities

Net assets of the City's governmental activities decreased \$20,292. Unrestricted intergovernmental revenues increased due in part to increases in estate taxes. The purchase and sale of a rehabilitated house resulted in the increase in all other revenue as well as community environment.

CITY OF CHEVIOT, OHIO

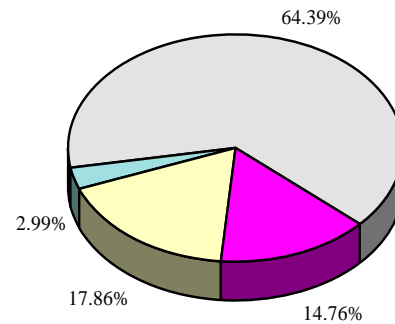
**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

The City receives an income tax, which is based on 2.0% of all salaries, wages, commissions and other compensation and on net profits earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City.

Income taxes and property taxes made up 38% and 25% respectively of revenues for governmental activities for the City in 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 64% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
General Tax Revenues	\$3,146,636	64.39%
Intergovernmental, Unrestricted	721,464	14.76%
Program Revenues	872,933	17.86%
General Other	145,975	2.99%
Total Revenue	\$4,887,008	100.00%



Business-Type Activities

Net assets of the business-type activities decreased \$4,702. This represents a 5% change from the previous year. A decrease in receipts from pool membership dues and concessions resulted in the decrease in charges for services while decreases in salaries and concession supplies contributed to the decrease in expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$1,063,812, which is a decrease from last year's balance of \$1,257,524. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2008 and 2007:

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase (Decrease)
General	\$368,904	\$386,822	(\$17,918)
Other Governmental	694,908	870,702	(175,794)
Total	\$1,063,812	\$1,257,524	(\$193,712)

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2008 <u>Revenues</u>	2007 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$1,094,111	\$1,207,311	(\$113,200)
Municipal Income Taxes	1,817,852	1,706,956	110,896
Other Local Taxes	70,677	142,768	(72,091)
Intergovernmental Revenue	625,855	421,972	203,883
Charges for Services	173,162	136,840	36,322
Rental Revenue	76,631	70,438	6,193
Licenses, Permits and Fees	20,328	39,599	(19,271)
Investment Earnings	15,980	33,520	(17,540)
Fines and Forfeitures	72,438	100,556	(28,118)
All Other Revenue	34,264	7,211	27,053
Total	<u>\$4,001,298</u>	<u>\$3,867,171</u>	<u>\$134,127</u>

General Fund revenues in 2008 increased approximately 3.5% compared to revenues in 2007. An increase in estate taxes resulted in the increase in intergovernmental revenue while charges for services increased due to increases in amounts received for squad runs. The decrease in investment earnings can be attributed to a decrease in interest rates. A decrease in court fines resulted in the decrease in fines and forfeitures.

	2008 <u>Expenditures</u>	2007 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Security of Persons and Property	\$1,990,020	\$1,964,437	\$25,583
Public Health and Welfare Services	7,084	6,894	190
Leisure Time Activities	89,081	141,034	(51,953)
Public Works	426,836	371,218	55,618
Transportation	105,778	83,561	22,217
General Government	1,343,941	1,352,238	(8,297)
Total	<u>\$3,962,740</u>	<u>\$3,919,382</u>	<u>\$43,358</u>

General Fund expenditures increased \$43,358 or approximately 1.1% when compared with the previous year. Expenditures for leisure time activities decreased due to decreases in salaries in the field house department as well as maintenance and repair costs in the harvest home department. An increase in salaries and waste disposal costs contributed to the increase in expenditures for public works.

CITY OF CHEVIOT, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2008 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$4.2 million was not significantly different from original budget estimates of \$4.1 million. Actual budget basis revenue of \$3.9 was approximately 7% less than original and final budget estimates. Original, final and actual budget basis expenditures were each approximately \$4 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the City had \$2,810,070 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, furniture and equipment. Of this total, \$2,728,462 was related to governmental activities and \$81,608 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$143,466	\$143,466	\$0
Land Improvements	373,885	373,885	0
Buildings and Improvements	2,168,179	2,168,179	0
Furniture and Equipment	3,556,910	3,460,704	96,206
Infrastructure	1,228,052	1,103,846	124,206
Less: Accumulated Depreciation	(4,742,030)	(4,565,969)	(176,061)
Totals	\$2,728,462	\$2,684,111	\$44,351

	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$1,864	\$1,864	\$0
Buildings and Building Improvements	167,300	167,300	0
Less: Accumulated Depreciation	(87,556)	(83,838)	(3,718)
Totals	\$81,608	\$85,326	(\$3,718)

CITY OF CHEVIOT, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

Additional information on the City's capital assets can be found in Note 6.

Debt

The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
Long Term Notes Payable	\$127,298	\$166,701
Compensated Absences	<u>138,581</u>	<u>129,743</u>
Total Governmental Activities	<u>265,879</u>	<u>296,444</u>
Totals	<u><u>\$265,879</u></u>	<u><u>\$296,444</u></u>

The long term notes payable were issued on May 23, 2006 in the amount of \$204,680 for the purchase of a garbage truck and an ambulance. The notes were issued at a 3.75 percent interest rate and will reach maturity on May 23, 2011. The notes will be paid from the Equipment Acquisition Fund.

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 9.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or the need for additional financial information can be directed to the Auditor's Office of the City of Cheviot.

CITY OF CHEVIOT, OHIO

Statement of Net Assets *December 31, 2008*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 731,737	\$ 12,242	\$ 743,979
Receivables:			
Property Taxes	1,278,041	0	1,278,041
Income Taxes	641,023	0	641,023
Other Local Taxes	70,677	0	70,677
Accounts	58,068	0	58,068
Intergovernmental Receivable	493,411	0	493,411
Inventory of Supplies at Cost	49,940	0	49,940
Prepaid Items	11,080	0	11,080
Non-Depreciable Capital Assets	143,466	1,864	145,330
Depreciable Capital Assets, Net	2,584,996	79,744	2,664,740
Total Assets	<u>6,062,439</u>	<u>93,850</u>	<u>6,156,289</u>
Liabilities:			
Accounts Payable	57,852	0	57,852
Accrued Wages and Benefits	100,130	0	100,130
Intergovernmental Payable	209,807	0	209,807
Contracts Payable	3,765	0	3,765
Unearned Revenue	1,165,006	0	1,165,006
Accrued Interest Payable	2,878	0	2,878
Noncurrent liabilities:			
Due within one year	54,189	0	54,189
Due in more than one year	211,690	0	211,690
Total Liabilities	<u>1,805,317</u>	<u>0</u>	<u>1,805,317</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,601,163	81,608	2,682,771
Restricted For:			
Capital Projects	209,423	0	209,423
Debt Service	8	0	8
Other Purposes	578,391	0	578,391
Unrestricted	868,137	12,242	880,379
Total Net Assets	<u>\$ 4,257,122</u>	<u>\$ 93,850</u>	<u>\$ 4,350,972</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

CITY OF CHEVIOT, OHIO

Statement of Activities *For the Year Ended December 31, 2008*

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 2,060,671	\$ 146,994	\$ 8,168	\$ 0
Public Health and Welfare Services	21,142	0	10,300	0
Leisure Time Activities	103,227	68,131	0	0
Community Environment	58,580	0	0	0
Public Works	444,717	28,534	0	0
Transportation	593,519	5,084	380,932	101,700
General Government	1,620,090	123,090	0	0
Interest and Fiscal Charges	5,354	0	0	0
Total Governmental Activities	4,907,300	371,833	399,400	101,700
Business-Type Activities:				
Swimming Pool	41,996	37,294	0	0
Total Business-Type Activities	41,996	37,294	0	0
Totals	\$ 4,949,296	\$ 409,127	\$ 399,400	\$ 101,700

General Revenues

Property Taxes Levied for:
 General Purposes
 Capital Outlay
 Municipal Income Taxes
 Intergovernmental, Unrestricted
 Other Local Taxes
 Investment Earnings
 Miscellaneous
 Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year
 Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,905,509)	\$ 0	\$ (1,905,509)
(10,842)	0	(10,842)
(35,096)	0	(35,096)
(58,580)	0	(58,580)
(416,183)	0	(416,183)
(105,803)	0	(105,803)
(1,497,000)	0	(1,497,000)
(5,354)	0	(5,354)
<u>(4,034,367)</u>	<u>0</u>	<u>(4,034,367)</u>
<u>0</u>	<u>(4,702)</u>	<u>(4,702)</u>
<u>0</u>	<u>(4,702)</u>	<u>(4,702)</u>
<u>(4,034,367)</u>	<u>(4,702)</u>	<u>(4,039,069)</u>
1,097,368	0	1,097,368
134,974	0	134,974
1,843,617	0	1,843,617
721,464	0	721,464
70,677	0	70,677
15,980	0	15,980
129,995	0	129,995
<u>4,014,075</u>	<u>0</u>	<u>4,014,075</u>
(20,292)	(4,702)	(24,994)
<u>4,277,414</u>	<u>98,552</u>	<u>4,375,966</u>
<u>\$ 4,257,122</u>	<u>\$ 93,850</u>	<u>\$ 4,350,972</u>

CITY OF CHEVIOT, OHIO

Balance Sheet
Governmental Funds
December 31, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 115,937	\$ 615,800	\$ 731,737
Receivables:			
Property Taxes	1,138,996	139,045	1,278,041
Income Taxes	641,023	0	641,023
Other Local Taxes	70,677	0	70,677
Accounts	46,471	11,597	58,068
Intergovernmental	298,056	195,355	493,411
Inventory of Supplies, at Cost	11,331	38,609	49,940
Prepaid Items	11,080	0	11,080
Total Assets	\$ 2,333,571	\$ 1,000,406	\$ 3,333,977
Liabilities:			
Accounts Payable	\$ 50,973	\$ 6,879	\$ 57,852
Accrued Wages and Benefits Payable	86,646	13,484	100,130
Intergovernmental Payable	207,724	2,083	209,807
Contracts Payable	842	2,923	3,765
Deferred Revenue	1,618,482	280,129	1,898,611
Total Liabilities	1,964,667	305,498	2,270,165
Fund Balance:			
Reserved for Encumbrances	54,043	13,908	67,951
Reserved for Prepaid Items	11,080	0	11,080
Reserved for Supplies Inventory	11,331	38,609	49,940
Undesignated, Unreserved in:			
General Fund	292,450	0	292,450
Special Revenue Funds	0	432,245	432,245
Debt Service Funds		20,091	20,091
Capital Projects Funds	0	190,055	190,055
Total Fund Balance	368,904	694,908	1,063,812
Total Liabilities and Fund Balance	\$ 2,333,571	\$ 1,000,406	\$ 3,333,977

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2008***

Total Governmental Fund Balances		\$ 1,063,812
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		2,728,462
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		733,605
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Long Term Note Payable	(127,298)	
Compensated Absences Payable	(138,581)	
Accrued Interest Payable	(2,878)	
	<u> </u>	<u>(268,757)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 4,257,122</u></u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 1,094,111	\$ 135,035	\$ 1,229,146
Municipal Income Taxes	1,817,852	0	1,817,852
Other Local Taxes	70,677	0	70,677
Intergovernmental Revenues	625,855	524,156	1,150,011
Charges for Services	173,162	21,824	194,986
Rental Revenue	76,631	0	76,631
Licenses, Permits and Fees	20,328	0	20,328
Investment Earnings	15,980	0	15,980
Special Assessments	0	8,983	8,983
Fines and Forfeitures	72,438	2,366	74,804
All Other Revenue	34,264	95,731	129,995
Total Revenue	4,001,298	788,095	4,789,393
Expenditures:			
Current:			
Security of Persons and Property	1,990,020	6,559	1,996,579
Public Health and Welfare Services	7,084	14,058	21,142
Leisure Time Activities	89,081	764	89,845
Community Environment	0	58,580	58,580
Public Works	426,836	0	426,836
Transportation	105,778	411,177	516,955
General Government	1,343,941	1,896	1,345,837
Capital Outlay	0	476,863	476,863
Debt Service:			
Principal Retirement	0	39,403	39,403
Interest & Fiscal Charges	0	6,243	6,243
Total Expenditures	3,962,740	1,015,543	4,978,283
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,558	(227,448)	(188,890)
Other Financing Sources (Uses):			
Transfers In	0	64,654	64,654
Transfers Out	(53,654)	(11,000)	(64,654)
Total Other Financing Sources (Uses)	(53,654)	53,654	0
Net Change in Fund Balance	(15,096)	(173,794)	(188,890)
Fund Balance at Beginning of Year	386,822	870,702	1,257,524
Increase (Decrease) in Inventory Reserve	(2,822)	(2,000)	(4,822)
Fund Balance End of Year	\$ 368,904	\$ 694,908	\$ 1,063,812

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2008***

Net Change in Fund Balances - Total Governmental Funds \$ (188,890)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	226,112	
Depreciation Expense	<u>(181,761)</u>	44,351

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		97,615
--	--	--------

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long Term Note Principal Retirement	39,403	
Accrued Interest Payable	<u>889</u>	40,292

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(8,838)	
Change in Inventory	<u>(4,822)</u>	<u>(13,660)</u>

<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ (20,292)</u></u>
---	--	----------------------------------

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,293,597	\$ 1,328,355	\$ 1,234,505	\$ (93,850)
Municipal Income Taxes	1,886,251	1,936,932	1,800,086	(136,846)
Other Local Taxes	74,182	76,175	70,793	(5,382)
Intergovernmental Revenue	436,235	447,957	416,308	(31,649)
Charges for Services	163,368	167,757	155,905	(11,852)
Rental Revenue	70,400	72,291	67,184	(5,107)
Licenses and Permits	21,301	21,873	20,328	(1,545)
Investment Earnings	16,745	17,195	15,980	(1,215)
Fines and Forfeitures	75,905	77,945	72,438	(5,507)
All Other Revenues	35,859	36,823	34,221	(2,602)
Total Revenues	<u>4,073,843</u>	<u>4,183,303</u>	<u>3,887,748</u>	<u>(295,555)</u>
Expenditures:				
Current:				
Security of Persons and Property	2,042,306	2,080,760	2,025,714	55,046
Public Health and Welfare Services	7,000	7,276	7,084	192
Leisure Time Activities	118,600	98,019	95,352	2,667
Public Works	396,500	419,224	408,134	11,090
Transportation	120,000	123,261	105,778	17,483
General Government	1,360,320	1,345,185	1,309,598	35,587
Total Expenditures	<u>4,044,726</u>	<u>4,073,725</u>	<u>3,951,660</u>	<u>122,065</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,117	109,578	(63,912)	(173,490)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	500	0	(500)
Transfers Out	(241,700)	(241,700)	(53,654)	188,046
Total Other Financing Sources (Uses):	<u>(241,700)</u>	<u>(241,200)</u>	<u>(53,654)</u>	<u>187,546</u>
Net Change in Fund Balance	(212,583)	(131,622)	(117,566)	14,056
Fund Balance at Beginning of Year	131,906	131,906	131,906	0
Prior Year Encumbrances	39,343	39,343	39,343	0
Fund Balance at End of Year	<u>\$ (41,334)</u>	<u>\$ 39,627</u>	<u>\$ 53,683</u>	<u>\$ 14,056</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities
	<u>Enterprise Fund</u>
	<u>Swimming Pool</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 12,242
Total Current Assets	<u>12,242</u>
Noncurrent Assets:	
Non-Depreciable Capital Assets	1,864
Depreciable Capital Assets, Net	<u>79,744</u>
Total Noncurrent Assets	<u>81,608</u>
Total Assets	<u>93,850</u>
LIABILITIES	
Total Liabilities	<u>0</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	81,608
Unrestricted	<u>12,242</u>
Total Net Assets	<u>\$ 93,850</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities
	<u>Enterprise Fund</u>
	<u>Swimming Pool</u>
Operating Revenues:	
Charges for Services	\$ 37,294
Total Operating Revenues	<u>37,294</u>
Operating Expenses:	
Personal Services	19,248
Contractual Services	11,566
Materials and Supplies	7,464
Depreciation	3,718
Total Operating Expenses	<u>41,996</u>
Change in Net Assets	(4,702)
Net Assets Beginning of Year	<u>98,552</u>
Net Assets End of Year	<u>\$ 93,850</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	<u>Business-Type</u> <u>Activities</u> <u>Enterprise Fund</u> <u>Swimming Pool</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$37,294
Cash Payments for Goods and Services	(19,030)
Cash Payments to Employees	(19,603)
Net Cash Used by Operating Activities	<u>(1,339)</u>
Net Decrease in Cash and Cash Equivalents	(1,339)
Cash and Cash Equivalents at Beginning of Year	<u>13,581</u>
Cash and Cash Equivalents at End of Year	<u><u>\$12,242</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u> <u>Used by Operating Activities:</u>	
Operating Loss	(\$4,702)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,718
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(355)
Total Adjustments	<u>3,363</u>
Net Cash Provided by Operating Activities	<u><u>(\$1,339)</u></u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2007***

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 14
Cash and Cash Equivalents in Segregated Accounts	<u>1,686</u>
Total Assets	<u>1,700</u>
Liabilities:	
Intergovernmental Payable	14
Undistributed Monies	<u>1,686</u>
Total Liabilities	<u>\$ 1,700</u>

See accompanying notes to the basic financial statements

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 becoming a city on January 1, 1932. The municipal government is known as a Council/Mayor form of government. The Mayor is elected to a four-year term. The President of Council and seven council members (one from each ward and three at-large) are elected to four-year terms. 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/she appoints all department heads and employees, except for the Clerk of Council, who is appointed by Council.

The financial statements are presented as of December 31, 2008 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, waste management, 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. In addition, the City swimming pool operations are reported as an enterprise fund.

The financial activity of the Mayor's Court has been included in the City's financial statements as an agency fund. The Mayor has fiduciary responsibility for the collection and distribution of the courts fees and fines to other governments.

The City participates in two organizations which are defined as jointly governed organizations. The organizations are the Ohio-Kentucky-Indiana Regional Council of Governments and the Hamilton County Municipal League. These organizations are presented in Note 11.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except the resources accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, uses and balances of financial resources). The following is the City's only major governmental fund:

General Fund - This fund is used to account for all financial resources except those 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 and the limitations of the City Charter.

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

Proprietary Funds

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The City's only enterprise fund is:

Swimming Pool Fund - This fund is used to account for charges to residents to cover the cost of operating the City's swimming pool.

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types 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 statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, loans and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2008 but which are not intended to finance 2008 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.

The accrual basis of accounting is utilized for reporting purposes by the government wide financial statements, proprietary fund and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

E. 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 appropriation ordinance are subject to amendment throughout the year. All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the major object level within each department and fund. Budgetary modifications may only be made by ordinance or resolution of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget 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.

2. Estimated Resources

Prior to October 1, the City accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's 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 fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2008.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. The budgetary figures which appear in the Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual Non-GAAP Budgetary Basis for the General Fund is provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

5. Lapsing of Appropriations

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$15,096)
Increase (Decrease):	
Accrued Revenues at December 31, 2008 received during 2009	(576,741)
Accrued Revenues at December 31, 2007 received during 2008	463,191
Accrued Expenditures at December 31, 2008 paid during 2009	346,185
Accrued Expenditures at December 31, 2007 paid during 2008	(279,925)
2007 Prepays for 2008	18,154
2008 Prepays for 2009	(11,080)
Outstanding Encumbrances	<u>(62,254)</u>
Budget Basis	<u><u>(\$117,566)</u></u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents that are held separately for the Mayor's court and Bail Bond Account are not held by the City Treasurer and are recorded on the financial statements as "Cash and Cash Equivalents in Segregated Accounts." See Note 2, "Cash, Cash Equivalents and Investments."

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

On the government-wide financial statements inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$650.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. The City's infrastructure consists of streets. The City only reports infrastructure assets acquired after 2003 and does not plan to phase in prior years' amounts. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Building Improvements	20 – 45
Furniture and Equipment	5 – 20
Infrastructure	10 - 60

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
Long Term Note Payable	Equipment Acquisition Fund
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund

K. Compensated Absences

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

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

L. Net Assets

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Activity

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

O. Reservations of Fund Balance

Reserves indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for supplies inventory, prepaid items and encumbered amounts that are not accrued at year end.

P. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for swimming pool operations. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during fiscal year 2008.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash and investments pool used by all funds except the Water Operating, Water Service Deposits, Wastewater Operating, Wastewater Debt Reserve, and the Revolving Loan Funds. Each fund type's portion of this pool is displayed on the Balance Sheet as "Cash and Cash Equivalents." The deposits and investments of the aforementioned funds are held separately from those of other City funds. Ohio law requires the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$743,993 and the bank balance was \$811,591. Federal depository insurance covered \$250,000 of the bank balance and \$561,591 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u><u>\$561,591</u></u>

NOTE 3 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007 the lien date. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed during 2008. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 3 - TAXES (Continued)

A. Property Taxes (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In years prior to 2007, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to 12.5 percent in 2007, 6.25 percent for 2008 and finally to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Cheviot. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2008 was \$14.52 per \$1,000 of assessed value. The assessed value upon which the 2008 tax receipts were based was \$130,016,000. This amount constitutes \$124,320,000 in real property assessed value, \$4,900,000 in public utility assessed value and \$796,000 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is 1.452% (14.52 mills) of assessed value.

B. Income Tax

The City levies a tax of two percent on all salaries, wages, and other compensation earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City. The City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. Income tax revenue is accounted for through the General Fund.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 4 - RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accounts receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

NOTE 5 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2008:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$53,654
Other Governmental Funds	64,654	11,000
Totals	<u>\$64,654</u>	<u>\$64,654</u>

Transfers made during the year ended December 31, 2008 included \$53,654 from the General Fund to other governmental funds to provide additional resources for debt payments and waste collection operations.

During 2008 the City transferred funds from certain other governmental funds into the general fund in violation of Ohio Revised Code sections 5705.14, 5705.15 and 5705.16. These transfers were subsequently corrected and the corrections are reflected in the accompanying financial statements.

This space intentionally left blank.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 6 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$143,466	\$0	\$0	\$143,466
<i>Capital assets being depreciated:</i>				
Land Improvements	373,885	0	0	373,885
Buildings and Improvements	2,168,179	0	0	2,168,179
Furniture and Equipment	3,460,704	101,906	(5,700)	3,556,910
Infrastructure	1,103,846	124,206	0	1,228,052
Total Cost	<u>\$7,250,080</u>	<u>\$226,112</u>	<u>(\$5,700)</u>	<u>\$7,470,492</u>

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Land Improvements	(\$340,033)	(\$3,774)	\$0	(\$343,807)
Buildings and Improvements	(1,238,814)	(41,065)	0	(1,279,879)
Furniture and Equipment	(2,916,102)	(99,294)	5,700	(3,009,696)
Infrastructure	(71,020)	(37,628)	0	(108,648)
Total Depreciation	<u>(\$4,565,969)</u>	<u>(\$181,761) *</u>	<u>\$5,700</u>	<u>(\$4,742,030)</u>
Net Value:	<u>\$2,684,111</u>			<u>\$2,728,462</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$57,399
Leisure Time Activities	12,982
Public Works	18,832
Transportation	71,900
General Government	20,648
Total Depreciation Expense	<u>\$181,761</u>

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 6 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$1,864	\$0	\$0	\$1,864
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	167,300	0	0	167,300
	<u>167,300</u>	<u>0</u>	<u>0</u>	<u>167,300</u>
Total Cost	<u>\$169,164</u>	<u>\$0</u>	<u>\$0</u>	<u>\$169,164</u>

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings and Building Improvements	(\$83,838)	(\$3,718)	\$0	(\$87,556)
Total Accumulated Depreciation	<u>(\$83,838)</u>	<u>(\$3,718)</u>	<u>\$0</u>	<u>(\$87,556)</u>
<i>Net Value:</i>	<u>\$85,326</u>			<u>\$81,608</u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Ohio Public Employees Retirement System (“OPERS”)

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year).

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$69,483, \$81,854 and \$93,476, respectively, which were equal to the required contributions for each year.

B. Ohio Police and Fire Pension Fund (“OP&F”)

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$88,528, \$89,719 and \$77,954 for police and \$91,999, \$91,988 and \$94,161 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$69,483, \$53,916 and \$45,722, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund (“OP&F”)

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund ("OP&F") (Continued)

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2008, 2007, and 2006 were \$46,868, \$47,498 and \$51,417 for police and \$35,999, \$35,995 and \$44,907 for firefighters, respectively, which were equal to the required contributions for each year.

This space intentionally left blank.

CITY OF CHEVIOT, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 9 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2008 was as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2007	Additions	Deductions	Balance December 31, 2008	Amount Due Within One Year
Governmental Activities:							
Long Term Note Payable:							
3.75%	Equipment Acquisition	2011	\$166,701	\$0	(\$39,403)	\$127,298	\$40,880
Compensated Absences*			129,743	70,291	(61,453)	138,581	13,309
Total Governmental Activities			296,444	70,291	(100,856)	265,879	54,189
Total Other Long-Term Obligations			\$296,444	\$70,291	(\$100,856)	\$265,879	\$54,189

*Accrued vacation payable at December 31, 2007 was reclassified into compensated absences payable.

The Equipment Acquisition Notes were issued on May 23, 2006 in the amount of \$204,680 for the purchase of a garbage truck and an ambulance. The notes were issued at a 3.75 percent interest rate and will reach maturity on May 23, 2011. The notes will be paid from the Equipment Acquisition Fund.

Compensated absences will be paid from the General and Street Construction, Maintenance and Repair Funds.

The City's total debt margin was \$13,524,382 at December 31, 2008. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008 are as follows:

Years	Long Term Notes		
	Principal	Interest	Totals
2009	\$40,880	\$4,774	\$45,654
2010	42,414	3,241	45,655
2011	44,004	1,650	45,654
Totals	\$127,298	\$9,665	\$136,963

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 10 - 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. During 2008, the City contracted with Travelers Insurance Company for municipal, general liability, municipal automotive liability, public official, law enforcement liability, boiler and machinery, and buildings insurance. Coverage is as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$5,000,000	\$0
Municipal Automobile Liability	5,000,000	1,000
Public Official	5,000,000	5,000
Law Enforcement Liability	5,000,000	5,000
Boiler and Machinery	100,000	500
Buildings	Varies	1,000

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

There has been no significant reduction in insurance coverages from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

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 special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. OKI also serves as an area-wide review agency in conjunction with comprehensive planning within the OKI Region.

This space intentionally left blank.

CITY OF CHEVIOT, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 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. No financial contributions were made by the City during 2008. To obtain financial information, write to Ronald Kuker, Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 720 East Pete Rose Way, Suite 420, Cincinnati, Ohio, 45202.

Hamilton County Municipal League – The City participates in the Hamilton County Municipal League (HCML), a jointly governed organization. HCML members are represented by the Mayor or his designee from the incorporated municipalities of Hamilton County. Any member municipality may nominate for membership a municipality located outside Hamilton County. The purpose of the HCML is the furtherance of local government, the improvement of municipal government and services, promotion of general welfare of the cities and villages, to provide an opportunity for the municipalities to meet as a group for the discussion of mutual problems 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. No financial contributions were made by the City during 2008. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

CITY OF CHEVIOT, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 12 - CONSTRUCTION COMMITMENTS

The City had the following contractual commitment at December 31, 2008:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
Harrison Avenue Phase I	\$50,000	September 2009

NOTE 13 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cheviot, Hamilton County (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2008-CHEV-01 and 02 as described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-CHEV-01 and 02.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Charles E. Harris and Associates, Inc.

December 22, 2011

CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2008

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

Finding Number: 2008-CHEV-01 – Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14 with the approval of the Tax Commissioner and the Court of Common Pleas.

Contrary to these requirements, the City transferred \$23,800 from a special revenue fund, the Parking Lot Fund, to the general fund. Also the City transferred the unexpended balance of a debt service fund, the City Hall Special Assessment Fund, in the amount of \$20,083 to the general fund. These transfers were done without the approval of the Tax Commissioner or the Court of Common Pleas.

These transfers to the general fund were subsequently reversed by the City and the funds returned to their respective special revenue and debt service funds.

We recommend the City refer to the Ohio Revised Code Section 5705.14, 5705.15, and 5705.16 prior to making transfers and advances and make them accordingly.

Management Response:

Because of an oversight in the transfer of funds not being submitted to the courts properly, the courts denied the approval of the transfer. The transfer has since been reversed. We now plan on resubmitting the request to the Court of Common Pleas to transfer these same funds and feel strongly it will be approved.

Finding Number: 2008-CHEV-02 – Material Weakness/Noncompliance Citation

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The City incorrectly recorded various reimbursements between funds in the amount of \$14,296 as transfers. The financial statements have been adjusted to reflect the proper presentation and management has agreed to those adjustments.

We recommend that the City review the guidance provided by the Auditor of State in Appendix A to the Ohio Compliance Supplement which, although designed to assist auditors, could assist the City in clarifying the requirements of the Ohio Revised Code concerning transfers, advances and reimbursements.

Management Response:

We did not receive a substantive response from management to the above finding.

**CITY OF CHEVIOT
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-CHEV-01	Capital assets misstated	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

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
MARCH 8, 2012**