

**CITY OF SILVERTON
HAMILTON COUNTY, OHIO**

December 31, 2002 and 2001

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT



**Auditor of State
Betty Montgomery**

Honorable Mayor and City Council
City of Silverton
6860 Plainfield Road
Cincinnati, Ohio 45236

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 17, 2004

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**CITY OF SILVERTON
HAMILTON COUNTY, OHIO**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Silverton
Hamilton County, Ohio

We have audited the accompanying general purpose financial statements of the City of Silverton, Ohio as of and for the years ended December 31, 2002 and 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Silverton, Ohio's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Silverton, Ohio, as of December 31, 2002 and 2001, and the results of its operations for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2003 on our consideration of the City of Silverton, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the City of Silverton's management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
December 5, 2003

City of Silverton
Hamilton County, Ohio
Combined Balance Sheet
All Governmental Fund Types and Account Groups
December 31, 2002

	Governmental Fund Types				Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	General	General	
					Fixed Assets	Long-Term Obligations	
Assets and Other Debits:							
<u>Assets</u>							
Equity in Pooled Cash and Cash Equivalents	\$ 816,785	\$ 194,659	\$ 2,421	\$ 101,332	\$ -	\$ -	\$ 1,115,197
Receivables:							
Municipal Income Tax	342,188	-	-	-	-	-	342,188
Property and Other Taxes	580,609	-	-	-	-	-	580,609
Accounts	11,971	-	-	-	-	-	11,971
Special Assessments	15,577	-	-	-	-	-	15,577
Due from Other Governments	95,142	104,945	-	-	-	-	200,087
Materials and Supplies Inventory	1,226	-	-	-	-	-	1,226
Prepaid Items	17,209	36	-	-	-	-	17,245
Fixed Assets	-	-	-	-	1,604,195	-	1,604,195
<u>Other Debits</u>							
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	-	-	-	-	-	2,421	2,421
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-	-	963,710	963,710
Total Assets and Other Debits	\$ 1,880,707	\$ 299,640	\$ 2,421	\$ 101,332	\$ 1,604,195	\$ 966,131	\$ 4,854,426
Liabilities and Fund Equity:							
<u>Liabilities</u>							
Accounts Payable	\$ 29,355	\$ 2,786	\$ -	\$ -	\$ -	\$ -	\$ 32,141
Contracts Payable	922	1,998	-	73,234	-	-	76,154
Retainage Payable	4,375	1,312	-	16,186	-	-	21,873
Accrued Salaries Payable	3,322	-	-	-	-	-	3,322
Due to Other Governments	3,990	248	-	-	-	43,178	47,416
Deferred Revenue	883,976	72,642	-	-	-	-	956,618
Accrued Interest Payable	-	501	-	1,233	-	-	1,734
Notes Payable	-	40,000	-	98,377	-	-	138,377
General Obligation Bonds Payable	-	-	-	-	-	298,900	298,900
Compensated Absences Payable	7,520	-	-	-	-	398,548	406,068
Capital Leases Payable	-	-	-	-	-	24,968	24,968
OPWC Loan Payable	-	-	-	-	-	200,537	200,537
Total Liabilities	933,460	119,487	-	189,030	-	966,131	2,208,108
<u>Fund Equity</u>							
Investment in General Fixed Assets	-	-	-	-	1,604,195	-	1,604,195
Fund Balances:							
Reserved for Encumbrances	13,630	50,780	-	40,626	-	-	105,036
Reserved for Materials and Supplies Inventory	1,226	-	-	-	-	-	1,226
Reserved for Compensated Absences and Retirement	-	62,468	-	-	-	-	62,468
Unreserved (Deficit)	932,391	66,905	2,421	(128,324)	-	-	873,393
Total Fund Equity (Deficit)	947,247	180,153	2,421	(87,698)	1,604,195	-	2,646,318
Total Liabilities and Fund Equity	\$ 1,880,707	\$ 299,640	\$ 2,421	\$ 101,332	\$ 1,604,195	\$ 966,131	\$ 4,854,426

See accompanying notes.

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Municipal Income Tax	\$ 928,069	\$ -	\$ -	\$ -	\$ 928,069
Property and Other Taxes	611,055	-	-	-	611,055
Intergovernmental	157,950	200,656	-	470,270	828,876
Charges for Services	115,251	-	-	-	115,251
Special Assessments	60,418	-	-	-	60,418
Fines, Licenses and Permits	101,908	10,525	-	-	112,433
Donations	5,639	-	-	100	5,739
Interest	15,676	1,953	-	-	17,629
Miscellaneous	29,528	167	-	-	29,695
Total Revenues	<u>2,025,494</u>	<u>213,301</u>	<u>-</u>	<u>470,370</u>	<u>2,709,165</u>
Expenditures:					
Current:					
Security of Persons and Property	1,033,779	1,530	-	-	1,035,309
Transportation	334	238,526	-	-	238,860
Public Health Services	4,252	-	-	-	4,252
Leisure Time Activities	56,677	-	-	-	56,677
Community Environment	20,092	-	-	-	20,092
Basic Utilities Services	221,684	-	-	-	221,684
General Government	537,109	2,643	-	-	539,752
Capital Outlay	2,837	5,155	-	863,342	871,334
Debt Service:					
Principal Retirement	5,759	10,339	-	38,300	54,398
Interest and Other Charges	1,406	3,278	-	18,951	23,635
Total Expenditures	<u>1,883,929</u>	<u>261,471</u>	<u>-</u>	<u>920,593</u>	<u>3,065,993</u>
Excess of Revenues Over (Under) Expenditures	<u>141,565</u>	<u>(48,170)</u>	<u>-</u>	<u>(450,223)</u>	<u>(356,828)</u>
Other Financing Sources (Uses):					
Proceeds from Loans	-	-	-	200,537	200,537
Inception of Capital Leases	1,350	-	-	-	1,350
Operating Transfers - In	-	82,126	-	180,080	262,206
Operating Transfers - Out	(220,678)	(41,528)	-	-	(262,206)
Total Other Financing Sources (Uses)	<u>(219,328)</u>	<u>40,598</u>	<u>-</u>	<u>380,617</u>	<u>201,887</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(77,763)</u>	<u>(7,572)</u>	<u>-</u>	<u>(69,606)</u>	<u>(154,941)</u>
Fund Balances at Beginning of Year	1,024,602	187,725	2,421	(18,092)	1,196,656
Decrease in Reserve for Inventory	408	-	-	-	408
Fund Balances (Deficit) at End of Year	<u>\$ 947,247</u>	<u>\$ 180,153</u>	<u>\$ 2,421</u>	<u>\$ (87,698)</u>	<u>\$ 1,042,123</u>

See accompanying notes.

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

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Municipal Income Tax	\$ 917,725	\$ 933,502	\$ 15,777	\$ -	\$ -	\$ -
Property and Other Taxes	606,347	611,055	4,708	-	-	-
Intergovernmental	165,035	162,186	(2,849)	189,200	196,949	7,749
Charges for Services	175,875	182,386	6,511	-	-	-
Special Assessments	66,000	60,418	(5,582)	-	-	-
Fines, Licenses and Permits	108,025	114,058	6,033	7,150	10,525	3,375
Donations	5,575	5,639	64	-	-	-
Interest	15,000	15,676	676	1,900	1,953	53
Miscellaneous	16,285	17,812	1,527	-	-	-
Total Revenues	2,075,867	2,102,732	26,865	198,250	209,427	11,177
Expenditures:						
Current:						
Security of Persons and Property	1,053,843	1,040,105	13,738	2,010	1,530	480
Transportation	425	350	75	281,666	310,719	(29,053)
Public Health Services	4,300	4,252	48	-	-	-
Leisure Time Activities	56,775	61,662	(4,887)	3,508	-	3,508
Community Environment	21,450	21,430	20	-	-	-
Basic Utilities Services	185,675	221,110	(35,435)	-	-	-
General Government	547,676	561,307	(13,631)	29,883	2,643	27,240
Capital Outlay	33,625	33,449	176	66,311	3,843	62,468
Debt Service:						
Principal Retirement	-	-	-	86,000	86,000	-
Interest and Other Charges	-	-	-	8,850	7,654	1,196
Total Expenditures	1,903,769	1,943,665	(39,896)	478,228	412,389	65,839
Excess of Revenues Over (Under) Expenditures	<u>172,098</u>	<u>159,067</u>	<u>(13,031)</u>	<u>(279,978)</u>	<u>(202,962)</u>	<u>77,016</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	-	-	-	40,000	40,000	-
Proceeds from Long-Term Loans	-	-	-	-	-	-
Inception of Capital Leases	1,350	1,350	-	-	-	-
Advances - In	11,000	11,000	-	-	-	-
Advances - Out	-	-	-	-	-	-
Operating Transfers - In	-	-	-	83,300	82,126	(1,174)
Operating Transfers - Out	(221,325)	(220,678)	647	-	-	-
Total Other Financing Sources (Uses)	(208,975)	(208,328)	647	123,300	122,126	(1,174)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(36,877)</u>	<u>(49,261)</u>	<u>(12,384)</u>	<u>(156,678)</u>	<u>(80,836)</u>	<u>75,842</u>
Fund Balances at Beginning of Year	773,597	773,597	-	156,719	156,719	-
Prior Year Encumbrances Appropriated	75,329	75,329	-	67,996	67,996	-
Fund Balances at End of Year	\$ 812,049	\$ 799,665	\$ (12,384)	\$ 68,037	\$ 143,879	\$ 75,842

See accompanying notes.

Debt Service Fund			Capital Projects Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 917,725	\$ 933,502	\$ 15,777
-	-	-	-	-	-	606,347	611,055	4,708
-	-	-	596,811	470,270	(126,541)	951,046	829,405	(121,641)
-	-	-	-	-	-	175,875	182,386	6,511
-	-	-	-	-	-	66,000	60,418	(5,582)
-	-	-	-	-	-	115,175	124,583	9,408
-	-	-	-	100	100	5,575	5,739	164
-	-	-	-	-	-	16,900	17,629	729
-	-	-	-	-	-	16,285	17,812	1,527
-	-	-	596,811	470,370	(126,441)	2,870,928	2,782,529	(88,399)
-	-	-	-	-	-	1,055,853	1,041,635	14,218
-	-	-	-	-	-	282,091	311,069	(28,978)
-	-	-	-	-	-	4,300	4,252	48
-	-	-	-	-	-	60,283	61,662	(1,379)
-	-	-	-	-	-	21,450	21,430	20
-	-	-	-	-	-	185,675	221,110	(35,435)
-	-	-	-	-	-	577,559	563,950	13,609
-	-	-	1,030,969	814,548	216,421	1,130,905	851,840	279,065
2,421	-	2,421	156,777	156,677	100	245,198	242,677	2,521
-	-	-	15,634	14,711	923	24,484	22,365	2,119
2,421	-	2,421	1,203,380	985,936	217,444	3,587,798	3,341,990	245,808
(2,421)	-	2,421	(606,569)	(515,566)	91,003	(716,870)	(559,461)	157,409
-	-	-	98,477	98,377	(100)	138,477	138,377	(100)
-	-	-	307,712	200,537	(107,175)	307,712	200,537	(107,175)
-	-	-	-	-	-	1,350	1,350	-
-	-	-	-	-	-	11,000	11,000	-
-	-	-	-	(11,000)	(11,000)	-	(11,000)	(11,000)
-	-	-	146,825	138,552	(8,273)	230,125	220,678	(9,447)
-	-	-	-	-	-	(221,325)	(220,678)	647
-	-	-	553,014	426,466	(126,548)	467,339	340,264	(127,075)
(2,421)	-	2,421	(53,555)	(89,100)	(35,545)	(249,531)	(219,197)	30,334
2,421	2,421	-	64,555	64,555	-	997,292	997,292	-
-	-	-	85,251	85,251	-	228,576	228,576	-
\$ -	\$ 2,421	\$ 2,421	\$ 96,251	\$ 60,706	\$ (35,545)	\$ 976,337	\$ 1,006,671	\$ 30,334

City of Silverton
Hamilton County, Ohio
Combined Balance Sheet
All Governmental Fund Types and Account Groups
December 31, 2001

	Governmental Fund Types				Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits:							
<u>Assets</u>							
Equity in Pooled Cash and Cash Equivalents	\$ 848,926	\$ 224,715	\$ 2,421	\$ 149,806	\$ -	\$ -	1,225,868
Receivables:							
Municipal Income Tax	293,003	-	-	-	-	-	293,003
Property and Other Taxes	553,322	7,868	-	-	-	-	561,190
Accounts	12,189	-	-	-	-	-	12,189
Special Assessments	2,172	-	-	-	-	-	2,172
Interfund Receivable	11,000	-	-	-	-	-	11,000
Due from Other Governments	99,449	68,925	-	-	-	-	168,374
Materials and Supplies Inventory	818	-	-	-	-	-	818
Fixed Assets	-	-	-	-	1,654,472	-	1,654,472
Prepaid Items	9,718	-	-	-	-	-	9,718
<u>Other Debits</u>							
Amount Available in Debt Service Fund for Retirement of Long-Term Debt	-	-	-	-	-	2,421	2,421
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-	-	737,221	737,221
Total Assets and Other Debits	\$ 1,830,597	\$ 301,508	\$ 2,421	\$ 149,806	\$ 1,654,472	\$ 739,642	\$ 4,678,446
Liabilities and Fund Equity:							
<u>Liabilities</u>							
Accounts Payable	33,998	3,587	-	-	-	-	37,585
Contracts Payable	24,036	7,221	-	-	-	-	31,257
Retainage Payable	11,073	3,322	-	-	-	-	14,395
Accrued Salaries Payable	3,876	-	-	-	-	-	3,876
Due to Other Governments	7,444	473	-	-	-	42,234	50,151
Interfund Payable	-	-	-	11,000	-	-	11,000
Deferred Revenue	721,386	48,364	-	-	-	-	769,750
Accrued Interest Payable	-	816	-	2,521	-	-	3,337
Notes Payable	-	50,000	-	154,377	-	-	204,377
General Obligation Bonds Payable	-	-	-	-	-	337,200	337,200
Compensated Absences Payable	4,182	-	-	-	-	319,142	323,324
Capital Leases Payable	-	-	-	-	-	41,066	41,066
Total Liabilities	805,995	113,783	-	167,898	-	739,642	1,827,318
<u>Fund Equity</u>							
Investment in General Fixed Assets	-	-	-	-	1,654,472	-	1,654,472
Fund Balances:							
Reserved for Encumbrances	68,498	67,966	-	85,251	-	-	221,715
Reserved for Materials and Supplies Inventory	818	-	-	-	-	-	818
Reserved for Compensated Absences and Retirement	-	41,311	-	-	-	-	41,311
Unreserved	955,286	78,448	2,421	(103,343)	-	-	932,812
Total Fund Equity	1,024,602	187,725	2,421	(18,092)	1,654,472	-	2,851,128
Total Liabilities and Fund Equity	\$ 1,830,597	\$ 301,508	\$ 2,421	\$ 149,806	\$ 1,654,472	\$ 739,642	\$ 4,678,446

See accompanying notes.

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Municipal Income Tax	\$ 952,722	\$ -	\$ -	\$ -	\$ 952,722
Property and Other Taxes	529,644	47,436	-	-	577,080
Intergovernmental	226,343	124,200	-	951,141	1,301,684
Charges for Services	216,421	-	-	-	216,421
Special Assessments	1,493	-	-	-	1,493
Fines, Licenses and Permits	111,650	11,597	-	-	123,247
Donations	3,700	-	-	20,100	23,800
Interest	38,125	9,658	-	-	47,783
Miscellaneous	12,865	164	-	-	13,029
Total Revenues	2,092,963	193,055	-	971,241	3,257,259
Expenditures:					
Current:					
Security of Persons and Property	1,017,007	4,417	-	-	1,021,424
Transportation	2,654	170,524	-	-	173,178
Public Health Services	4,186	-	-	-	4,186
Leisure Time Activities	54,035	-	-	-	54,035
Community Environment	19,761	-	-	-	19,761
Basic Utilities Services	222,338	-	-	-	222,338
General Government	505,472	-	-	-	505,472
Capital Outlay	68,249	-	-	984,100	1,052,349
Debt Service:					
Principal Retirement	7,935	9,631	-	36,600	54,166
Interest and Other Charges	1,718	4,956	-	24,093	30,767
Total Expenditures	1,903,355	189,528	-	1,044,793	3,137,676
Excess of Revenues Over (Under) Expenditures	189,608	3,527	-	(73,552)	119,583
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	220,105	-	-	-	220,105
Inception of Capital Leases	9,340	-	-	-	9,340
Operating Transfers - In	-	48,310	-	146,275	194,585
Operating Transfers - Out	(143,793)	(50,792)	-	-	(194,585)
Total Other Financing Sources (Uses)	85,652	(2,482)	-	146,275	229,445
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	275,260	1,045	-	72,723	349,028
Fund Balances (Deficit) at Beginning of Year (As Restated for 2000)	749,520	186,680	2,421	(90,815)	847,806
Increase in Reserve for Inventory	(178)	-	-	-	(178)
Fund Balances at End of Year	\$ 1,024,602	\$ 187,725	\$ 2,421	\$ (18,092)	\$ 1,196,656

See accompanying notes.

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Municipal Income Tax	\$ 942,000	\$ 941,747	\$ (253)	\$ -	\$ -	\$ -
Property and Other Taxes	500,823	518,457	17,634	60,000	55,073	(4,927)
Intergovernmental	173,036	247,758	74,722	131,500	123,972	(7,528)
Charges for Services	199,800	216,446	16,646	-	-	-
Special Assessments	-	1,493	1,493	-	-	-
Fines, Licenses and Permits	87,025	111,451	24,426	8,350	11,597	3,247
Donations	1,400	3,700	2,300	-	-	-
Interest	26,000	38,125	12,125	8,500	9,658	1,158
Miscellaneous	13,839	34,765	20,926	150	164	14
Total Revenues	1,943,923	2,113,942	170,019	208,500	200,464	(8,036)
Expenditures:						
Current:						
Security of Persons and Property	1,051,274	1,043,630	7,644	4,656	4,417	239
Transportation	2,750	2,654	96	367,938	271,101	96,837
Public Health Services	4,200	4,186	14	-	-	-
Leisure Time Activities	55,395	49,301	6,094	3,509	-	3,509
Community Environment	19,125	18,461	664	-	-	-
Basic Utilities Services	262,862	262,720	142	76,833	35,522	41,311
General Government	540,246	540,379	(133)	20,923	-	20,923
Capital Outlay	23,800	23,800	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	100,000	100,000	-
Interest and Fiscal Charges	-	-	-	14,105	14,102	3
Total Expenditures	1,959,652	1,945,131	14,521	587,964	425,142	162,822
Excess of Revenues Over (Under) Expenditures	(15,729)	168,811	184,540	(379,464)	(224,678)	154,786
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	-	-	-	50,000	50,000	-
Proceeds from Sale of Fixed Assets	220,000	220,105	105	-	-	-
Inception of Capital Lease	9,340	9,340	-	-	-	-
Advances - In	-	-	-	-	-	-
Advances - Out	(11,000)	(11,000)	-	-	-	-
Operating Transfers - In	-	-	-	48,310	48,310	-
Operating Transfers - Out	(143,800)	(143,793)	7	-	-	-
Total Other Financing Sources (Uses)	74,540	74,652	112	98,310	98,310	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	58,811	243,463	184,652	(281,154)	(126,368)	(154,786)
Fund Balances at Beginning of Year	534,174	534,174	-	260,932	260,932	-
Prior Year Encumbrances Appropriated	5,300	5,300	-	22,155	22,155	-
Fund Balances at End of Year	\$ 598,285	\$ 782,937	\$ 184,652	\$ 1,933	\$ 156,719	\$ (154,786)

See accompanying notes.

Debt Service Fund			Capital Projects Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942,000	\$ 941,747	\$ (253)
-	-	-	-	-	-	560,823	573,530	12,707
-	-	-	565,745	700,445	134,700	870,281	1,072,175	201,894
-	-	-	-	-	-	199,800	216,446	16,646
-	-	-	-	-	-	-	1,493	1,493
-	-	-	-	-	-	95,375	123,048	27,673
-	-	-	20,000	20,100	100	21,400	23,800	2,400
-	-	-	-	-	-	34,500	47,783	13,283
-	-	-	-	-	-	13,989	34,929	20,940
-	-	-	585,745	720,545	134,800	2,738,168	3,034,951	296,783
-	-	-	-	-	-	1,055,930	1,048,047	7,883
-	-	-	-	-	-	370,688	273,755	96,933
-	-	-	-	-	-	4,200	4,186	14
-	-	-	-	-	-	58,904	49,301	9,603
-	-	-	-	-	-	19,125	18,461	664
-	-	-	-	-	-	339,695	298,242	41,453
-	-	-	-	-	-	561,169	540,379	20,790
-	-	-	923,311	872,464	50,847	947,111	896,264	50,847
2,421	-	2,421	211,077	211,077	-	313,498	311,077	2,421
-	-	-	16,400	16,375	25	30,505	30,477	28
2,421	-	2,421	1,150,788	1,099,916	50,872	3,700,825	3,470,189	230,636
(2,421)	-	2,421	(565,043)	(379,371)	185,672	(962,657)	(435,238)	527,419
-	-	-	154,477	154,377	(100)	204,477	204,377	(100)
-	-	-	143,500	-	(143,500)	363,500	220,105	(143,395)
-	-	-	-	-	-	9,340	9,340	-
-	-	-	11,000	11,000	-	11,000	11,000	-
-	-	-	-	-	-	(11,000)	(11,000)	-
-	-	-	73,000	95,483	22,483	121,310	143,793	22,483
-	-	-	-	-	-	(143,800)	(143,793)	7
-	-	-	381,977	260,860	(121,117)	554,827	433,822	(121,005)
(2,421)	-	2,421	(183,066)	(118,511)	64,555	(407,830)	(1,416)	406,414
2,421	2,421	-	140,140	140,140	-	937,667	937,667	-
-	-	-	42,926	42,926	-	70,381	70,381	-
\$ -	\$ 2,421	\$ 2,421	\$ -	\$ 64,555	\$ 64,555	\$ 600,218	\$ 1,006,632	\$ 406,414

**CITY OF SILVERTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Silverton (the "City") is a chartered municipal corporation operating under the laws of the State of Ohio. In 1884, the area was incorporated Hamlet of Silverton and continued that status until December 31, 1904, when by election it became the Village of Silverton. On January 4, 1961, Silverton officially became a City. The municipal government is known as a Council/Manager form of government. Legislative power is vested in a six member council, all of whom serve a two year term. The Mayor appoints a Municipal Administrator. The Municipal Administrator is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees, except the Mayor, Clerk-Treasurer and Solicitor. The Mayor and Clerk-Treasurer are elected at large each for a two year term. The Solicitor is appointed by Council.

Reporting Entity

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

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

The City participates in three organizations which are defined as jointly governed organizations, one organization defined as an insurance purchasing pool and one organization defined as a joint venture. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. An insurance purchasing pool is an organization in which a group of governments pool funds or resources to purchase commercial insurance policies. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing responsibility. These organizations are presented in The Jointly Governed Organizations, Group Purchasing Pool and Joint Venture footnotes to the general purpose financial statements.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

These organizations are:

Jointly Governed Organizations:

- Center for Local Government
- Ohio-Kentucky-Indiana Regional Council of Governments
- The Hamilton County Municipal League

Group Purchasing Pool:

- The Ohio Municipal League Workers' Compensation Group Rating Plan

Joint Venture:

- Deer Park-Silverton Joint Fire District

Basis of Presentation - Fund Accounting

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

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

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund type under the fund category of governmental.

Governmental Fund Types

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

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

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

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

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

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Account Groups

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

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the City.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the City, except those accounted for in the Special Revenue Funds and Capital Projects Funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Silverton have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

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

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

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

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Income taxes and special assessments recorded as receivables but not received within the available period have been included in deferred revenue. Current and delinquent property taxes measurable as of December 31, 2002 and 2001, whose availability is indeterminable and which are intended to finance fiscal years 2003 and 2002 operations, respectively, have also been recorded as a receivable and deferred revenue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level (the level at which City Council approves appropriations). All budgetary modifications at this level may only be made by resolution of the City Council. The allocation of appropriations between line items within an object may be modified with the approval of the Clerk-Treasurer.

Tax Budget

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

Estimated Resources

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested for 2002 and 2001, respectively.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations passed during the year. One supplemental appropriation measure was legally enacted during 2002 and 2001, respectively, by Council.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budget. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made to security of persons and property, transportation, public health services, leisure time activities, community environment, basic utilities, and general government within each fund. The appropriations set by Council remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

Encumbrances

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

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2002 and 2001, the City's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during 2002 and 2001 amounted to \$15,676 and \$38,125, respectively, which included \$3,339 and \$14,471, respectively, assigned from other City funds.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Assets/Liabilities

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

Materials and Supplies Inventory

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventories consist of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Fixed Assets and Depreciation

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

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

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

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

Intergovernmental Transactions

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

Interfund Transactions

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences." Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated, unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated sick leave for police officers after 15 years of current service with the City. For all other City employees, the City records a liability for accumulated sick leave after 10 years of current service with the City.

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

Accrued Liabilities and Long-Term Debt

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

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

Reservations of Fund Equity

Reserves of fund equity indicates that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Unreserved fund equity indicates that portion of fund equity which is available for appropriation in future periods. A fund balance has been reserved for encumbrances, materials and supplies inventory and compensated absences and retirement.

Use of Estimates

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

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATMENT OF FUND BALANCE

For fiscal year 2001, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions”, and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. Interfund receivable/payable was restated due to errors associated with reallocation of debt activity. The effect of these changes on opening fund balances follows:

	Governmental Funds		
	General	Special Revenue Fund	Capital Projects Funds
Fund Balance at December 31, 2000	\$ 727,206	\$ 191,714	\$ (101,955)
Restatement			
Interfund Receivable	-	(11,140)	-
Interfund Payable	-	-	11,140
Implementation of GASB 33	<u>22,314</u>	<u>6,106</u>	<u>-</u>
Restated Fund Balance at December 31, 2000	<u>\$ 749,520</u>	<u>\$ 186,680</u>	<u>\$ (90,815)</u>

Total liabilities in the general long-term obligations account group at December 31, 2000, decreased by \$115,794, from \$895,908 to \$780,114, due to overstatements for compensated absences payable and capital leases payable.

Fixed assets in the general fixed assets account group at December 31, 2000, increased by \$82,500 from \$1,558,301 to \$1,640,801, due to an error in recording land.

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

Accountability

The fire department special revenue fund and the Belkenton and Stewart Road capital projects funds had fund balance deficits of \$41,317, \$99,510 and \$16,635, respectively, at December 31, 2002. The fire department special revenue fund and the Elwynne Drive and Belkenton Road capital projects funds had fund balance deficits of \$50,816, \$36,588 and \$6,229, respectively, at December 31, 2001. The deficit fund balances are a result of the application of U.S. generally accepted accounting principles to the financial reporting of these funds. Proceeds of notes used to finance these projects and acquisitions are not recognized as “other financing sources,” but rather as a fund liability. Deficits do not exist under the cash basis of accounting.

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY (Continued)

Compliance

The following accounts having expenditures plus encumbrances in excess of appropriations are as follows:

<u>Fund/Program</u>	<u>Amount</u>	
	<u>2002</u>	<u>2001</u>
General Fund:		
Leisure Time Activities	\$ 4,887	\$ -
Basic Utility Services	35,435	-
General Government	13,631	131
Special Revenue Fund:		
Street Maintenance		
Transportation	66,113	-
Capital Projects Funds:		
Stewart Road		
Capital Outlay	80,220	-
Section Road		
Capital Outlay	4,771	-

NOTE 5 – BUDGET TO GAAP RECONCILIATION

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Receipt and payment of year-end interfund loans are treated as other sources or uses (budget basis) rather than an increase or decrease in an asset or liability account (GAAP basis).

NOTE 5 – BUDGET TO GAAP RECONCILIATION (Continued)

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

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

	December 31, 2002		
	General	Special Revenue	Capital Projects
GAAP Basis	\$ (77,763)	\$ (7,572)	\$ (69,606)
Adjustments:			
Revenue Accruals	77,238	(3,874)	-
Expenditure Accruals	(50,107)	(14,138)	93,660
Prepaid Items	7,491	-	-
Advances	11,000	-	(11,000)
Principal Retirement	-	(86,000)	(118,377)
Proceeds of Notes	-	40,000	98,377
Reallocation of Debt Activity	-	41,528	(41,528)
Encumbrances	<u>(17,120)</u>	<u>(50,780)</u>	<u>(40,626)</u>
Budget Basis	<u>\$ (49,261)</u>	<u>\$ (80,836)</u>	<u>\$ (89,100)</u>
	December 31, 2001		
	General	Special Revenue	Capital Projects
GAAP Basis	\$ 275,260	\$ 1,045	\$ 72,723
Adjustments:			
Revenue Accruals	11,639	(3,383)	(239,904)
Expenditure Accruals	41,094	(56,826)	193,813
Prepaid Items	(7,541)	-	-
Transfers	-	50,792	(50,792)
Advances	(11,000)	-	11,000
Principal Retirement	-	(100,000)	(174,477)
Proceeds of Notes	-	50,000	154,377
Encumbrances	<u>(75,329)</u>	<u>(67,996)</u>	<u>(85,251)</u>
Budget Basis	<u>\$ 234,123</u>	<u>\$ (126,368)</u>	<u>\$ (118,511)</u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

1. *Active deposits* – Public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. *Inactive deposits* – Public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name.)

At December 31, 2002, the carrying amount of the City's deposits was \$419,783 and the bank balance was \$473,408. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$373,408 was uninsured and uncollateralized. At December 31, 2001, the carrying amount of the City's deposits was \$544,132 and the bank balance was \$583,516. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$483,516 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” requires that local governments disclose the carrying amounts and fair values of investments, classified by risk. The City's investments are categorized as either:

- 1) insured or registered or for which the securities are held by the City or its agent in the City's name,
- 2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name,
- 3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

The City's only investment at the year end was STAR Ohio. This investment had a carrying amount and fair value of \$694,064 and \$681,736 at December 31, 2002 and 2001, respectively. The investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting." Cash equivalents are defined to include investments with original maturities of three months or less, and the City's cash management pool.

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

	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	Cash & Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>	Cash & Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,115,197	\$ -	\$ 1,225,868	\$ -
Cash on Hand	(1,350)	-	-	-
STAR Ohio	<u>(694,064)</u>	<u>694,064</u>	<u>(681,736)</u>	<u>681,736</u>
GASB Statement 3	<u>\$ 419,783</u>	<u>\$ 694,064</u>	<u>\$ 544,132</u>	<u>\$ 681,736</u>

NOTE 7 – PROPERTY TAXES

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

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

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

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

The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Assessed Value</u>	<u>Percentage</u>	<u>Assessed Value</u>	<u>Percentage</u>
Real Estate	\$ 71,590,100	90.43%	\$ 66,664,670	90.00%
Public Utility Property	3,616,540	4.57	3,537,650	4.78
Tangible Personal	<u>3,961,680</u>	<u>5.00</u>	<u>3,864,890</u>	<u>5.22</u>
Total Property Taxes	<u>\$ 79,168,320</u>	<u>100.00%</u>	<u>\$ 74,067,210</u>	<u>100.00%</u>

NOTE 7 – PROPERTY TAXES (Continued)

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

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

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

NOTE 8 – INCOME TAX

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

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

In 2002 and 2001, the proceeds were allocated to the general fund. Income tax revenue for 2002 and 2001 was \$928,069 and \$952,722, respectively.

NOTE 9 – RECEIVABLES

Receivables at December 31, 2002 and 2001 consisted of municipal income tax, property and other taxes, accounts, special assessments, and interfund and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

	December 31,	
	2002	2001
General Fund:		
Homestead and Rollback	\$ 29,848	\$ 32,430
Local Government	13,809	9,858
Liquor Permits	39	246
Estate Tax	-	5,441
Shared Income Fund	48,755	45,282
Local Government Revenue Assistance	2,691	6,192
Total General Fund	95,142	99,449

NOTE 9 – RECEIVABLES (Continued)

	December 31,	
	2002	2001
Special Revenue Funds:		
Street Fund		
Gasoline Cents per Gallon	\$ 30,460	\$ 27,826
Permissive Tax	37,064	-
Immobilization Fees	35	-
Motor Vehicle License Tax	18,604	16,296
Gasoline Excise Tax	13,545	19,506
Total Street Fund	99,708	63,628
State Highway Fund		
Gasoline Cents per Gallon	2,467	2,389
Motor Vehicle License Tax	1,670	1,326
Gasoline Excise Tax	1,100	1,582
Total State Highway Fund	5,237	5,297
Total Special Revenue Funds	104,945	68,925
Total All Funds	\$ 200,087	\$ 168,374

NOTE 10 – FIXED ASSETS

A summary of the changes in general fixed assets during the years ended December 31, 2002 and 2001 were as follows:

Classification	Balance December 31, 2001	Increase	Decrease	Balance December 31, 2002
Land	\$ 405,926	\$ -	\$ -	\$ 405,926
Land Improvements	229,100	-	-	229,100
Buildings	299,900	7,236	-	307,136
Equipment	383,808	12,697	81,890	314,615
Vehicles	335,738	21,680	10,000	347,418
Total Fixed Assets	\$ 1,654,472	\$ 41,613	\$ 91,890	\$ 1,604,195
	December 31, 2000, As Restated	Increase	Decrease	December 31, 2001
Land	\$ 455,245	\$ 23,800	\$ 73,119	\$ 405,926
Land Improvements	229,100	-	-	229,100
Buildings	299,900	-	-	299,900
Equipment	341,657	43,151	1,000	383,808
Vehicles	314,899	20,839	-	335,738
Total Fixed Assets	\$ 1,640,801	\$ 87,790	\$ 74,119	\$ 1,654,472

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, reduced from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$26,050, \$37,267 and \$36,832, respectively. The full amount has been contributed for 2001 and 2000. 60.81 percent has been contributed for 2002 with the remainder being reported as a liability in the general long-term obligations account group.

Ohio Police and Fire Pension Fund

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

Police are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police. For 2001, the City's contributions were 12 percent. Contributions are authorized by State statute. The City's contributions to the OP&F for police were \$80,513 for the year ended December 31, 2002, \$79,904 for the year ended December 31, 2001, and \$79,913 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 80.25 percent has been contributed for 2002 with the remainder being reported as a liability in the general long-term obligations account group.

The City of Silverton has no fire personnel; therefore, OP&F covers police personnel only.

NOTE 12 – POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

NOTE 12 – POST EMPLOYMENT BENEFITS (Continued)

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

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

The number of active contributing participants was 402,041. The City's actual contributions for 2002 and 2001, which were used to fund post employment benefits, were \$15,234 and \$17,324, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were \$16.4 billion and \$4.8 billion, respectively.

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

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

Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post employment health care program during 2002. For 2001 the percent used to fund health care was 7.5 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City of Silverton has no fire personnel; therefore, OP&F covers police personnel only.

NOTE 12 – POST EMPLOYMENT BENEFITS (Continued)

The City's actual contributions for 2002 and 2001 that were used to fund postemployment benefits were \$53,104 and \$49,940, respectively for police. The OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police.

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date and allows the unused balance to be accrued at levels which depend upon years of service. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at variable rates based on years of service worked and can be accumulated up to a maximum of 180 days. If any employee chooses to end employment with the City or is terminated by the City, that employee is paid his/her sick leave according to his/her contract. The employee may also choose to transfer his/her balance to another governmental agency. In the case of death or retirement, employees are paid the total allowable amount of all earned unused sick leave.

City employees can also earn compensatory time. Compensatory time is paid at one and one half times an employee's regular rate. Employees with time remaining upon termination of their employment will be paid for any unused compensatory time.

Insurance Benefits

The City has elected to provide employee medical/surgical, dental and life insurance benefits through United Healthcare of Ohio for all full-time employees. The premium varies with each employee depending on the coverage elected. The portion of the premium picked up by the City varies depending upon the negotiated agreement or the employee's contract. The City provides vision insurance through VSP.

NOTE 14 – RISK MANAGEMENT

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2002, the City contracted with Hylant-MacLean-Cincinnati Insurance for crime, commercial auto, commercial fire/earthquake/theft, general liability (including property), and inland marine. The coverages and deductibles are as follows:

Type of Coverage	Coverage	Deductible
Crime	\$1,000/10,000	\$ 100
Commercial Auto (per accident)	1,000,000/3,000,000	250
Commercial Fire/Earthquake/Theft	1,746,318	1,000
General Liability (aggregate/each occurrence)	5,000,000/3,000,000	0
Inland Marine	485,958	500

NOTE 14 – RISK MANAGEMENT (Continued)

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

For 2002 and 2001, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (Plan), a group purchasing pool (see subsequent Note). The intent of the Plan is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all entities in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

NOTE 15 – CAPITALIZED LEASES - LESSEE DISCLOSURE

In the past, the City has entered into several capitalized leases for vehicles and reproduction equipment. The lease agreements are accounted for on a GAAP basis as capital outlay expenditures with offsetting amounts reported as other financing sources. The terms of all agreements provide options to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reflected as program expenditures on a budgetary basis.

Vehicles and reproduction equipment acquired by leases have been capitalized in the general fixed asset account group at amounts equal to the present value of the lease payments at the time of acquisition. The amount capitalized in the general fixed assets account group was \$215,458. A corresponding liability was recorded in the general long-term obligations account group.

Principal payments of \$16,098 and \$17,566 were made during 2002 and 2001, respectively, which resulted in a remaining liability of \$24,968 and \$41,066 at December 31, 2002 and 2001, respectively.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002.

<u>Year Ending December 31,</u>	<u>Amount</u>
2003	\$ 18,971
2004	6,972
2005	<u>992</u>
Total Minimum Lease Payments	26,935
Less: Amount Representing Interest	<u>(1,967)</u>
Present Value of Minimum Lease Payments	\$ <u>24,968</u>

NOTE 16 – SHORT - TERM OBLIGATIONS

A summary of the note transactions for the years ended December 31, 2002 and 2001 follows:

<u>Fund</u>	<u>December 31, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2002</u>
<u>2002</u>				
Special Revenue Fund:				
Fire Equipment Bond Anticipation Note - 2.74%	\$ <u>50,000</u>	\$ <u>40,000</u>	\$ <u>50,000</u>	\$ <u>40,000</u>
Capital Projects Funds:				
Belkenton Sewer Project Bond Anticipation Note - 2.74%	118,377	98,377	118,377	98,377
Street Improvement Bond Anticipation Note - 3.59%	<u>36,000</u>	<u>-</u>	<u>36,000</u>	<u>-</u>
Total Capital Projects	<u>154,377</u>	<u>98,377</u>	<u>154,377</u>	<u>98,377</u>
Grand Total	\$ <u>204,377</u>	\$ <u>138,377</u>	\$ <u>204,377</u>	\$ <u>138,377</u>

<u>Fund</u>	<u>December 31, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2001</u>
<u>2001</u>				
Special Revenue Fund:				
Fire Equipment Bond Anticipation Note - 3.59%	\$ <u>60,000</u>	\$ <u>50,000</u>	\$ <u>60,000</u>	\$ <u>50,000</u>
Capital Projects Funds:				
Belkenton Sewer Project Bond Anticipation Note - 3.59%	138,477	118,377	138,477	118,377
Street Improvement Bond Anticipation Note - 3.59%	<u>76,000</u>	<u>36,000</u>	<u>76,000</u>	<u>36,000</u>
Total Capital Projects	<u>214,477</u>	<u>154,377</u>	<u>214,477</u>	<u>154,377</u>
Grand Total	\$ <u>274,477</u>	\$ <u>204,377</u>	\$ <u>274,477</u>	\$ <u>204,377</u>

All three notes are issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and will mature within one year. The liability for the notes is presented in the fund that received the note proceeds.

The original proceeds for the \$36,000 Street Improvement Bond Anticipation Note was recorded in the Elwynne Drive capital projects fund. In 2002, the debt service payments were made from the street maintenance special revenue fund on a budget basis. A reallocation of debt activity was necessary on a GAAP basis to reflect the revenue and expenditure activity within the same fund.

NOTE 17 – LONG - TERM OBLIGATIONS

Changes in long-term obligations during 2002 and 2001 were as follows:

<u>Fund</u>	<u>December 31, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2002</u>
<u>2002</u>				
General Obligation Bonds:				
Voted:				
2000 Fire Building Bond - 4.49%	\$ <u>337,200</u>	\$ <u>-</u>	\$ <u>38,300</u>	\$ <u>298,900</u>
Other Long-Term Obligations:				
2001 Ohio Public Works				
Commission Loan - 0%	-	200,537	-	200,537
Compensated Absences Payable	319,142	79,406	-	398,548
Capital Lease Obligations	41,066	-	16,098	24,968
Due to Other Governments	<u>42,234</u>	<u>43,178</u>	<u>42,234</u>	<u>43,178</u>
Total Other Long-Term Obligations	<u>402,442</u>	<u>323,121</u>	<u>58,332</u>	<u>667,231</u>
Total General Long-Term Obligations	<u>\$ 739,642</u>	<u>\$ 323,121</u>	<u>\$ 96,632</u>	<u>\$ 966,131</u>

<u>Fund</u>	<u>December 31, 2000, As Restated</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2001</u>
<u>2001</u>				
General Obligation Bonds:				
Voted:				
1999 Fire Building Bond - 4.49%	\$ <u>373,800</u>	\$ <u>-</u>	\$ <u>36,600</u>	\$ <u>337,200</u>
Other Long-Term Obligations:				
Compensated Absences Payable	322,910	-	3,768	319,142
Capital Lease Obligations	49,292	9,340	17,566	41,066
Due to Other Governments	<u>34,112</u>	<u>42,234</u>	<u>34,112</u>	<u>42,234</u>
Total Other Long-Term Obligations	<u>406,304</u>	<u>51,574</u>	<u>55,446</u>	<u>402,442</u>
Total General Long-Term Obligations	<u>\$ 780,114</u>	<u>\$ 51,574</u>	<u>\$ 92,046</u>	<u>\$ 739,642</u>

The Fire Building General Obligation Bonds were issued on March 30, 2000, in the amount of \$400,000 for the purpose of acquiring and renovating a building for the Deer Park-Silverton Joint Fire District. The building was immediately given to the Deer Park-Silverton Joint Fire District by the City which represented the City's required contributions for 2000. The bonds were issued at an interest rate of 4.49% through 2004 and a variable interest rate thereafter and will mature semi-annually each year on April 1 through April 1, 2009. The bonds will be paid from the joint fire district capital projects fund.

NOTE 17 – LONG - TERM OBLIGATIONS (Continued)

In October, 2001, the City entered into a project loan agreement with the Ohio Public Works Commission for fire hydrant replacements. The loan amount is \$307,712, payable over 20 years, without interest. The City of Silverton is responsible for the loan payments; however, due to terms pertaining to the Joint Fire District, the City of Deer Park is reimbursing the City of Silverton 70.61 percent of the loan payments. The amount to be reimbursed by the City of Deer Park is included in "Due From Other Governments" on the combined Balance Sheets. As of December 31, 2002, the project was not complete and the City of Silverton had received \$200,537 of the total proceeds. Payments on the loan will not be due until the completion of the project. At the time of completion a final amortization schedule will be drafted. The loan will be paid from the fire hydrant capital projects fund.

Compensated absences and due to other governments (which represents contractually required pension contributions paid outside the available period), will be paid from the funds from which the employees' salaries are paid. Capital lease obligations will be paid from the general fund and the street special revenue fund.

As of December 31, 2002 and 2001, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,672,439 and \$7,233,059, respectively, and the unvoted legal debt margin was \$3,718,865 and \$3,534,541, respectively.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2002 and 2001 were:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 40,000	\$ 12,976	\$ 52,976
2004	42,200	11,160	53,360
2005	44,500	9,236	53,736
2006	46,600	7,215	53,815
2007	48,800	5,098	53,898
Thereafter	<u>76,800</u>	<u>3,455</u>	<u>80,255</u>
TOTAL	\$ <u>298,900</u>	\$ <u>49,140</u>	\$ <u>348,040</u>
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 38,300	\$ 14,716	\$ 53,016
2003	40,000	12,976	52,976
2004	42,200	11,160	53,360
2005	44,500	9,236	53,736
2006	46,600	7,215	53,815
Thereafter	<u>125,600</u>	<u>8,553</u>	<u>134,153</u>
TOTAL	\$ <u>337,200</u>	\$ <u>63,856</u>	\$ <u>401,056</u>

NOTE 18 – INTERFUND ACTIVITY

As of December 31, 2002 and 2001, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ -	\$ 11,000	\$ -
Special Revenue Funds:				
Fire Department	-	-	-	-
Street Maintenance and Repair	-	-	-	-
Total Special Revenue Fund	-	-	-	-
Capital Projects Funds:				
Section Road	-	-	-	11,000
Elwynne Drive	-	-	-	-
Total Capital Projects Funds	-	-	-	11,000
Total All Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

Center for Local Government

The Center for Local Government was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of eight members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City's payments during 2002 and 2001 are immaterial. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Cincinnati, Ohio, 45236.

Ohio-Kentucky-Indiana Regional Council of Governments

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

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

OKI contracts periodically for local funds and other support with the governing board of each of the cities and 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 no more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. If the organization were to dissolve, OKI's net assets shall revert to said public bodies in proportion to each body's contribution towards the assets.

Payments to OKI are made from the general fund. The amounts the City paid during 2002 and 2001 were immaterial. To obtain financial information, write to Barry Blank, Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St., Suite 400, Cincinnati, Ohio, 45203.

The Hamilton County Municipal League (HCML)

The City participates in the Hamilton County Municipal League, 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 generally or special problems and to provide training or educational programs as may be deemed appropriate.

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

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

Payments to the HCML are made from the general fund. During 2002 and 2001, contributions made were immaterial. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227

NOTE 20 – INSURANCE PURCHASING POOL

The Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan

For 2002, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (Plan), a group purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants.

NOTE 20 – INSURANCE PURCHASING POOL (Continued)

Participation in the Plan is limited to cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access less experience for three years following the last year of participation.

NOTE 21 – JOINT VENTURE

Deer Park-Silverton Joint Fire District

The City is a member of the Deer Park-Silverton Joint Fire District, which is a joint venture between the City of Silverton and the City of Deer Park. The joint venture was created to provide fire protection services to the residents of the cities.

The Fire District Board of Trustees consists of eight trustees, with each City appointing four. The City's ability to affect operations is limited to its representation on the Board. The funding for the operation of the Fire District is provided by tax revenues from a continuing levy approved by the electorate of both Cities. There is no explicit and measurable equity interest in the Fire District. The City has an ongoing financial responsibility, because the continued existence of the joint venture depends upon the City's contributions. The Joint Fire District is not accumulating significant financial resources or experiencing fiscal stress that may cause an additional benefit or burden on the City. During 2002 and 2001, the City contributed \$17,160, which represented 33% of the total contributions. You may obtain financial information from Belinda Joeger, Clerk, at 7050 Blue Ash Road, Cincinnati, Ohio 45236.

NOTE 22 – CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 2001 to December 31, 2002, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
City of Silverton
Hamilton County, Ohio

We have audited the financial statements of the City of Silverton, Ohio as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated December 5, 2003. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Silverton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. That instance is discussed in the accompanying Schedule of Findings.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the schedule of findings are material weaknesses.

This report is intended solely for the information and use of the City of Silverton's management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
December 5, 2003

**CITY OF SILVERTON
HAMILTON COUNTY, OHIO
DECEMBER 31, 2002 AND 2001
SCHEDULE OF FINDINGS**

Findings Related to the Financial Statements to be Reported in Accordance with GAGAS.

Finding Number 2002-20431-004
Noncompliance Citation: **Expenditures Exceeding Appropriations**

It was noted that the City's expenditures exceeded appropriations in the general fund for 2002.

Finding Number 2002-20431-001
Reportable Condition: **Internal Control**

The following internal control weaknesses were noted during the course of our audit of the City's general purpose financial statements:

- Current W-4's and I-9's were not maintained for all employees. W-4's should be updated each year. I-9's should be signed by all employees hired after 1987.
- The tax administrator posts cash receipts transaction to the taxes receivable ledger, as well as, receives and deposits cash. These functions should be segregated.

Finding Number 2002-20431-002
Reportable Condition: **Disaster Recovery**

It was noted during the review of the Board minutes that approximately \$6,000 was spent recovering data that was lost due to a system failure. Periodic backups of all computer data should be both performed and tested for recoverability to prevent this in the future.

Finding Number 2002-20431-003
Reportable Condition: **Council Meeting Minutes**

It was noted during the review of Board Minutes that minutes of multiple council meetings had not been prepared and approved by the Council. Minutes for all meetings should be kept during the meeting then formally prepared to be approved at the next council meeting.

Finding Number 2002-20431-005
Reportable Condition: **Uncollateralized Deposits**

The City currently has \$373,408 in uninsured and uncollateralized deposits. Although all state statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF SILVERTON
HAMILTON COUNTY, OHIO
DECEMBER 31, 2002 AND 2001
STATUS OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different; Corrective Action Taken; or Finding No Longer Valid; Explain</u>
2000-20431-001	Finding for various internal control deficiencies within the accounting department.	No	Not Corrected; Finding Repeated
2000-20431-002	Finding for failure to have an effective disaster recovery system.	Yes	N/A

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CITY OF SILVERTON

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
APRIL 6, 2004**