

CITY OF SILVERTON

HAMILTON COUNTY, OHIO

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

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

We have reviewed the Independent Auditor's Report of the City of Silverton, Hamilton County, prepared by VonLehman & Company Inc., for the audit period January 1, 1999 to December 31, 2000. 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.

JIM PETRO
Auditor of State

September 24, 2001

This Page is Intentionally Left Blank.

**CITY OF SILVERTON
HAMILTON COUNTY, OHIO
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Financial Statements	
Combined Balance Sheet – All Governmental Fund Types and Account Groups – 2000	1
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types – 2000	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types – 2000	3
Combined Balance Sheet – All Governmental Fund Types and Account Groups – 1999	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types – 1999	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types – 1999	6
Notes to the Financial Statements	7-36
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	37-38
Schedule of Findings	39
Status of Prior Audit Findings	40

This Page is Intentionally Left Blank.



250 Grandview Drive, Suite 300
Fort Mitchell, KY 41017-5610
859-331-3300
859-331-4358 fax

Certified Public Accountants and Business Advisors

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, 2000 and 1999, 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, 2000 and 1999, 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 June 25, 2001 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.

City of Silverton, Ohio
Page Two

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
June 25, 2001

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

	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	\$ 539,474	\$ 283,087	\$ 2,421	\$ 183,066	\$ -	\$ -	\$ 1,008,048
Receivables:							
Municipal Income Tax	192,218	-	-	-	-	-	192,218
Property and Other Taxes	487,468	9,399	-	-	-	-	496,867
Accounts	33,834	-	-	-	-	-	33,834
Special Assessments	3,387	-	-	-	-	-	3,387
Interfund Receivable	-	11,140	-	-	-	-	11,140
Due from Other Governments	30,166	20,333	-	-	-	-	50,499
Materials and Supplies Inventory	996	-	-	-	-	-	996
Prepaid Items	17,259	-	-	-	-	-	17,259
Fixed Assets	-	-	-	-	1,558,301	-	1,558,301
<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	-	-	-	-	-	893,487	893,487
Total Assets and Other Debits	\$ 1,304,802	\$ 323,959	\$ 2,421	\$ 183,066	\$ 1,558,301	\$ 895,908	\$ 4,268,457
Liabilities and Fund Equity:							
<u>Liabilities</u>							
Accounts Payable	\$ 12,692	\$ 8,005	\$ -	\$ -	\$ -	\$ -	20,697
Contracts Payable	17,049	24,728	-	51,139	-	-	92,916
Retainage Payable	-	-	-	2,670	-	-	2,670
Accrued Salaries Payable	1,467	-	-	-	-	-	1,467
Due to Other Governments	30,851	2,645	-	-	-	34,112	67,608
Interfund Payable	-	-	-	11,140	-	-	11,140
Deferred Revenue	509,659	-	-	-	-	-	509,659
Accrued Interest Payable	-	1,345	-	5,595	-	-	6,940
Notes Payable	-	60,000	-	214,477	-	-	274,477
General Obligation Bonds Payable	-	-	-	-	-	373,800	373,800
Compensated Absences Payable	5,878	35,522	-	-	-	438,353	479,753
Capital Leases Payable	-	-	-	-	-	49,643	49,643
Total Liabilities	577,596	132,245	-	285,021	-	895,908	1,890,770
<u>Fund Equity</u>							
Investment in General Fixed Assets	-	-	-	-	1,558,301	-	1,558,301
Fund Balances:							
Reserved for Encumbrances	1,078	1,011	-	6,277	-	-	8,366
Reserved for Materials and Supplies Inventory	996	-	-	-	-	-	996
Unreserved (Deficit)	725,132	190,703	2,421	(108,232)	-	-	810,024
Total Fund Equity (Deficit)	727,206	191,714	2,421	(101,955)	1,558,301	-	2,377,687
Total Liabilities and Fund Equity	\$ 1,304,802	\$ 323,959	\$ 2,421	\$ 183,066	\$ 1,558,301	\$ 895,908	\$ 4,268,457

See auditors' report and 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, 2000**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Municipal Income Tax	\$ 888,282	\$ -	\$ -	\$ -	\$ 888,282
Property and Other Taxes	506,423	61,911	-	-	568,334
Intergovernmental	293,802	77,504	-	186,390	557,696
Charges for Services	155,013	90	-	-	155,103
Special Assessments	2,891	-	-	-	2,891
Fines, Licenses and Permits	101,889	8,960	-	-	110,849
Donations	1,225	1,260	-	25,000	27,485
Interest	29,949	16,840	-	11,005	57,794
Miscellaneous	51,423	17,055	-	-	68,478
Total Revenues	<u>2,030,897</u>	<u>183,620</u>	<u>-</u>	<u>222,395</u>	<u>2,436,912</u>
Expenditures:					
Current:					
Security of Persons and Property	987,366	4,862	-	-	992,228
Transportation	724	221,022	-	-	221,746
Public Health Services	664	-	-	-	664
Leisure Time Activities	52,209	1,340	-	-	53,549
Community Environment	20,637	-	-	-	20,637
Basic Utilities Services	183,053	71,949	-	-	255,002
General Government	537,155	6,167	-	-	543,322
Capital Outlay	14,735	41,485	-	358,608	414,828
Debt Service:					
Principal Retirement	6,702	7,517	-	26,200	40,419
Interest and Other Charges	932	6,179	-	36,808	43,919
Total Expenditures	<u>1,804,177</u>	<u>360,521</u>	<u>-</u>	<u>421,616</u>	<u>2,586,314</u>
Excess of Revenues Over (Under) Expenditures	<u>226,720</u>	<u>(176,901)</u>	<u>-</u>	<u>(199,221)</u>	<u>(149,402)</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	208,200	-	-	-	208,200
Inception of Capital Leases	14,735	41,485	-	-	56,220
Operating Transfers - In	-	76,444	-	44,000	120,444
Operating Transfers - Out	(120,444)	-	-	-	(120,444)
Total Other Financing Sources (Uses)	<u>102,491</u>	<u>117,929</u>	<u>-</u>	<u>44,000</u>	<u>264,420</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>329,211</u>	<u>(58,972)</u>	<u>-</u>	<u>(155,221)</u>	<u>115,018</u>
Fund Balances at Beginning of Year	401,698	250,686	2,421	53,266	708,071
Decrease in Reserve for Inventory	(3,703)	-	-	-	(3,703)
Fund Balances (Deficit) at End of Year	<u>\$ 727,206</u>	<u>\$ 191,714</u>	<u>\$ 2,421</u>	<u>\$ (101,955)</u>	<u>\$ 819,386</u>

See auditors' report and 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, 2000**

	General Fund			Special Revenue Funds			Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Municipal Income Tax	\$ 968,438	\$ 916,909	\$ (51,529)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property and Other Taxes	499,952	506,423	6,471	65,000	56,183	(8,817)	-	-	-	-	-	-
Intergovernmental	213,236	254,243	41,007	146,500	128,429	(18,071)	-	-	-	112,500	134,650	22,150
Charges for Services	182,165	154,958	(27,207)	-	90	90	-	-	-	-	-	-
Special Assessments	140	2,891	2,751	-	-	-	-	-	-	-	-	-
Fines, Licenses and Permits	82,399	100,574	18,175	5,000	8,960	3,960	-	-	-	-	-	-
Donations	1,459	1,225	(234)	-	1,260	1,260	-	-	-	-	25,000	25,000
Interest	10,451	29,949	19,498	8,000	16,840	8,840	-	-	-	45,000	11,005	(33,995)
Miscellaneous	3,095	63,855	60,760	16,620	17,055	435	-	-	-	-	-	-
Total Revenues	1,961,335	2,031,027	69,692	241,120	228,817	(12,303)	-	-	-	157,500	170,655	13,155
Expenditures:												
Current:												
Security of Persons and Property	1,086,238	978,090	108,148	7,077	4,862	2,215	-	-	-	-	-	-
Transportation	1,304	724	580	550,430	336,331	214,099	-	-	-	-	-	-
Public Health Services	4,407	3,969	438	-	-	-	-	-	-	-	-	-
Leisure Time Activities	60,155	52,484	7,671	3,499	1,340	2,159	-	-	-	-	-	-
Community Environment	24,039	21,245	2,794	-	-	-	-	-	-	-	-	-
Basic Utilities Services	207,242	185,098	22,144	78,260	36,427	41,833	-	-	-	-	-	-
General Government	625,027	545,232	79,795	17,185	6,167	11,018	-	-	-	-	-	-
Other	1,577	-	1,577	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	460,710	347,725	112,985
Debt Service:												
Principal Retirement	-	-	-	110,650	110,600	-	2,421	-	2,421	262,800	262,200	600
Interest and Other Charges	-	-	-	17,000	14,227	2,773	-	-	-	26,800	26,800	-
Total Expenditures	2,009,989	1,786,842	223,147	784,101	509,954	274,147	2,421	-	2,421	750,310	636,725	113,585
Excess of Revenues Over (Under) Expenditures	(48,654)	244,185	292,839	(542,981)	(281,137)	261,844	(2,421)	-	2,421	(592,810)	(466,070)	126,740
Other Financing Sources (Uses):												
Proceeds from Issuance of Notes	-	-	-	60,000	60,000	-	-	-	-	215,077	214,477	(600)
Proceeds from Sale of Fixed Assets	-	208,200	208,200	-	-	-	-	-	-	-	-	-
Operating Transfers - In	-	-	-	77,357	76,444	(913)	-	-	-	30,000	44,000	14,000
Operating Transfers - Out	(133,579)	(120,444)	13,135	-	-	-	-	-	-	-	-	-
Advances - In	-	20,000	20,000	-	-	-	-	-	-	-	-	-
Advances - Out	-	-	-	-	(20,000)	20,000	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(133,579)	107,756	241,335	137,357	116,444	19,087	-	-	-	245,077	258,477	13,400
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(182,233)	351,941	534,174	(405,624)	(164,693)	280,931	(2,421)	-	2,421	(347,733)	(207,593)	140,140
Fund Balances at Beginning of Year	167,206	167,206	-	295,371	295,371	-	2,421	2,421	-	347,733	347,733	-
Prior Year Encumbrances Appropriated	15,027	15,027	-	130,254	130,254	-	-	-	-	-	-	-
Fund Balances at End of Year	\$ -	\$ 534,174	\$ 534,174	\$ 20,001	\$ 260,932	\$ 280,931	\$ -	\$ 2,421	\$ 2,421	\$ -	\$ 140,140	\$ 140,140

See auditors' report and accompanying notes.

City of Silverton, Ohio
Combined Balance Sheet
All Governmental Fund Types and Account Groups
December 31, 1999

	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	\$ 182,233	\$ 425,625	\$ 2,421	\$ 347,733	\$ -	\$ -	958,012
Receivables:							
Municipal Income Tax	202,041	-	-	-	-	-	202,041
Property and Other Taxes	466,472	3,671	-	-	-	-	470,143
Accounts	11,789	-	-	-	-	-	11,789
Interfund Receivable	20,000	12,826	-	-	-	-	32,826
Due from Other Governments	23,714	19,518	-	-	-	-	43,232
Materials and Supplies Inventory	4,699	-	-	-	-	-	4,699
Fixed Assets	-	-	-	-	1,538,875	-	1,538,875
<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	-	-	-	-	-	799,647	799,647
Total Assets and Other Debits	\$ 910,948	\$ 461,640	\$ 2,421	\$ 347,733	\$ 1,538,875	\$ 802,068	\$ 4,063,685
Liabilities and Fund Equity:							
<u>Liabilities</u>							
Accounts Payable	14,333	3,720	-	-	-	-	18,053
Contracts Payable	14,842	115,496	-	-	-	-	130,338
Accrued Salaries Payable	2,103	-	-	-	-	-	2,103
Due to Other Governments	7,778	462	-	-	-	40,515	48,755
Interfund Payable	-	20,000	-	12,826	-	-	32,826
Deferred Revenue	466,472	-	-	-	-	-	466,472
Accrued Interest Payable	-	1,276	-	5,041	-	-	6,317
Notes Payable	-	70,000	-	276,600	-	-	346,600
General Obligation Bonds Payable	-	-	-	-	-	400,000	400,000
Compensated Absences Payable	3,722	-	-	-	-	353,911	357,633
Capital Leases Payable	-	-	-	-	-	7,642	7,642
Total Liabilities	509,250	210,954	-	294,467	-	802,068	1,816,739
<u>Fund Equity</u>							
Investment in General Fixed Assets	-	-	-	-	1,538,875	-	1,538,875
Fund Balances:							
Reserved for Encumbrances	12,570	12,979	-	-	-	-	25,549
Reserved for Materials and Supplies Inventory	4,699	-	-	-	-	-	4,699
Unreserved	384,429	237,707	2,421	53,266	-	-	677,823
Total Fund Equity	401,698	250,686	2,421	53,266	1,538,875	-	2,246,946
Total Liabilities and Fund Equity	\$ 910,948	\$ 461,640	\$ 2,421	\$ 347,733	\$ 1,538,875	\$ 802,068	\$ 4,063,685

See auditors' report and 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, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Municipal Income Tax	\$ 921,809	\$ -	\$ -	\$ -	\$ 921,809
Property and Other Taxes	522,478	56,011	-	-	578,489
Intergovernmental	320,338	138,600	-	-	458,938
Charges for Services	162,576	21,045	-	-	183,621
Fines, Licenses and Permits	42,977	6,380	-	-	49,357
Donations	40,220	783	-	-	41,003
Interest	13,018	12,616	-	9,271	34,905
Miscellaneous	11,225	6,658	-	-	17,883
Total Revenues	<u>2,034,641</u>	<u>242,093</u>	<u>-</u>	<u>9,271</u>	<u>2,286,005</u>
Expenditures:					
Current:					
Security of Persons and Property	846,853	144,012	-	-	990,865
Transportation	3,567	235,165	-	-	238,732
Public Health Services	3,980	-	-	-	3,980
Leisure Time Activities	125,683	637	-	-	126,320
Community Environment	7,319	-	-	-	7,319
Basic Utilities Services	165,077	-	-	-	165,077
General Government	503,415	1,635	-	-	505,050
Capital Outlay	-	-	-	112,837	112,837
Debt Service:					
Principal Retirement	16,611	19,806	-	-	36,417
Interest and Other Charges	2,832	6,314	-	12,115	21,261
Total Expenditures	<u>1,675,337</u>	<u>407,569</u>	<u>-</u>	<u>124,952</u>	<u>2,207,858</u>
Excess of Revenues Over (Under) Expenditures	<u>359,304</u>	<u>(165,476)</u>	<u>-</u>	<u>(115,681)</u>	<u>78,147</u>
Other Financing Sources (Uses):					
Proceeds from Issuance of Bonds	-	-	-	400,000	400,000
Proceeds from Sale of Fixed Assets	17,500	-	-	-	17,500
Operating Transfers - In	-	134,545	-	20,000	154,545
Operating Transfers - Out	(154,545)	-	-	-	(154,545)
Total Other Financing Sources (Uses)	<u>(137,045)</u>	<u>134,545</u>	<u>-</u>	<u>420,000</u>	<u>417,500</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>222,259</u>	<u>(30,931)</u>	<u>-</u>	<u>304,319</u>	<u>495,647</u>
Fund Balances (Deficit) at Beginning of Year	178,000	281,617	2,421	(251,053)	210,985
Increase in Reserve for Inventory	1,439	-	-	-	1,439
Fund Balances at End of Year	<u>\$ 401,698</u>	<u>\$ 250,686</u>	<u>\$ 2,421</u>	<u>\$ 53,266</u>	<u>\$ 708,071</u>

See auditors' report and 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, 1999**

	General Fund			Special Revenue Funds			Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Municipal Income Tax	\$ 910,000	\$ 911,215	\$ 1,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property and Other Taxes	414,236	419,853	5,617	65,000	59,579	(5,421)	-	-	-	-	-	-
Intergovernmental	295,925	302,000	6,075	146,500	142,606	(3,894)	106,000	102,625	(3,375)	-	-	-
Charges for Services	159,750	162,576	2,826	21,000	21,425	425	-	-	-	-	-	-
Fines, Licenses and Permits	30,725	41,817	11,092	4,500	6,380	1,880	-	-	-	-	-	-
Donations	40,000	40,220	220	-	783	783	-	-	-	-	-	-
Interest	9,000	11,889	2,889	6,450	12,616	6,166	1,200	1,128	(72)	8,000	9,271	1,271
Miscellaneous	4,700	10,327	5,627	-	6,658	6,658	-	-	-	-	-	-
Total Revenues	1,864,336	1,899,897	35,561	243,450	250,047	6,597	107,200	103,753	(3,447)	8,000	9,271	1,271
Expenditures:												
Current:												
Security of Persons and Property	904,431	895,083	9,348	205,972	169,916	36,056	-	-	-	-	-	-
Transportation	1,286	1,052	234	419,978	262,910	157,068	-	-	-	-	-	-
Public Health Services	4,000	3,980	20	-	-	-	-	-	-	-	-	-
Leisure Time Activities	126,846	125,850	996	3,103	637	2,466	-	-	-	-	-	-
Community Environment	11,400	11,169	231	-	-	-	-	-	-	-	-	-
Basic Utilities Services	175,457	161,812	13,645	-	-	-	-	-	-	-	-	-
General Government	565,520	530,516	35,004	2,200	1,635	565	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	291,364	171,837	119,527
Debt Service:												
Principal Retirement	-	-	-	120,000	120,000	-	200,000	200,000	-	316,600	276,600	40,000
Interest and Other Charges	-	-	-	19,975	19,630	345	16,421	7,882	8,539	-	-	-
Total Expenditures	1,788,940	1,729,462	59,478	771,228	574,728	196,500	216,421	207,882	8,539	607,964	448,437	159,527
Excess of Revenues Over (Under) Expenditures	75,396	170,435	95,039	(527,778)	(324,681)	203,097	(109,221)	(104,129)	5,092	(599,964)	(439,166)	160,798
Other Financing Sources (Uses):												
Proceeds from Issuance of Notes	-	-	-	70,000	70,000	-	-	-	-	316,600	276,600	(40,000)
Proceeds from Issuance of Bonds	-	-	-	-	-	-	-	-	-	400,000	400,000	-
Proceeds from Sale of Fixed Assets	-	17,500	17,500	-	-	-	-	-	-	-	-	-
Operating Transfers - In	-	2,671	2,671	142,545	134,545	(8,000)	-	-	-	20,000	20,000	-
Operating Transfers - Out	(154,545)	(154,545)	-	-	-	-	-	(2,671)	(2,671)	-	-	-
Advances - In	-	-	-	20,000	20,000	-	-	-	-	-	-	-
Advances - Out	(20,000)	(20,000)	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(174,545)	(154,374)	20,171	232,545	224,545	(8,000)	-	(2,671)	(2,671)	736,600	696,600	(40,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(99,149)	16,061	115,210	(295,233)	(100,136)	195,097	(109,221)	(106,800)	2,421	136,636	257,434	120,798
Fund Balances at Beginning of Year	123,861	123,861	-	395,507	395,507	-	109,221	109,221	-	17,708	17,708	-
Prior Year Encumbrances Appropriated	27,284	27,284	-	-	-	-	-	-	-	72,591	72,591	-
Fund Balances at End of Year	\$ 51,996	\$ 167,206	\$ 115,210	\$ 100,274	\$ 295,371	\$ 195,097	\$ -	\$ 2,421	\$ 2,421	\$ 226,935	\$ 347,733	\$ 120,798

See auditors' report and accompanying notes.

**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.

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

The City is associated with 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. 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.

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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, 2000, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations have also been recorded as a receivable and deferred revenue.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the 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 2000.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year several supplemental appropriation measures were passed, although none of the supplements were significant. The budget figures which appear in the combined statement of revenues, expenditures and changes in fund balances, budget ad actual (budget basis) represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

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 2000, 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, 2000.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during 2000 and 1999 amounted to \$29,949 and \$13,018, respectively, which includes \$15,818 and \$9,053, respectively, assigned from other City funds. Interest revenue was also received in the special revenue and capital projects funds in the amounts of \$16,840 and \$11,005, respectively for the year ended December 31, 2000 and \$12,616 and \$9,271 for the year ended December 31, 1999.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Interfund Assets/Liabilities

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

Material and Supplies Inventory

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory consists 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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures 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.

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 employees after 15 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Obligation	Fund
Compensated Absences	Will be paid by the fund from which the employee's salary is paid
Capital Lease Obligations	Will be paid by the general fund and the fire department special revenue fund
Due to Other Governments	Will be paid by the fund from which the employee's salary is paid
General Obligation Bonds	Will be paid by the joint fire district capital projects fund

Reservations of Fund Balance

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

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 - COMPLIANCE AND ACCOUNTABILITY

The fire department special revenue fund and the Belketon and Elwynne Drive capital projects funds had fund balance deficits of \$61,345, \$148,812 and \$82,400, respectively, at December 31, 2000. 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 - BUDGETARY BASIS OF ACCOUNTING

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).

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	December 31, 2000		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ 329,211	\$ (58,972)	\$ (155,221)
Adjustments:			
Revenue Accruals	130	(6,543)	-
Expenditure Accruals	(9,359)	(47,023)	52,677
Prepaid Items	17,259	-	-
Advances	20,000	(20,000)	-
Principal Retirement	-	(110,600)	(236,000)
Proceeds of Notes	-	60,000	214,477
Reallocation of Debt Activity	-	40,600	(40,600)
Encumbrances	<u>(5,300)</u>	<u>(22,155)</u>	<u>(42,926)</u>
Budget Basis	\$ <u>351,941</u>	\$ <u>(164,693)</u>	\$ <u>(207,593)</u>

	December 31, 1999			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 222,259	\$ (30,931)	\$ -	\$ 304,319
Adjustments:				
Revenue Accruals	(30,991)	7,954	-	-
Expenditure Accruals	(46,980)	83,095	-	(46,885)
Advances	(20,000)	20,000	-	-
Principal Retirement	-	(120,000)	(200,000)	(276,600)
Proceeds of Notes	-	70,000	-	276,600
Reallocation of Debt Activity	(93,200)	-	93,200	-
Encumbrances	<u>(15,027)</u>	<u>(130,254)</u>	<u>-</u>	<u>-</u>
Budget Basis	\$ <u>16,061</u>	\$ <u>(100,136)</u>	\$ <u>(106,800)</u>	\$ <u>257,434</u>

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
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;

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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

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

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

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

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

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

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)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, 2000, the carrying amount of the City's deposits was \$353,439 and the bank balance was \$407,034. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$307,034 was uninsured and uncollateralized. At December 31, 1999, the carrying amount of the City's deposits was \$100,875 and the bank balance was \$168,215. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$68,215 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 Instruments, Investments and Reverse Repurchase Agreements," requires that the City's investments be classified in one of these categories of risk.

Category 1 – Includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 – Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 – Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The City's only investment at the fiscal year end was STAR Ohio. This investment had a carrying amount and fair value of \$654,609 and \$857,137 at December 31, 2000 and 1999, 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.

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

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

	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	<u>Cash & Cash Equivalents/ Deposits</u>	<u>Investments</u>	<u>Cash & Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,008,048	\$ -	\$ 958,012	\$ -
STAR Ohio	<u>(654,609)</u>	<u>654,609</u>	<u>(857,137)</u>	<u>857,137</u>
GASB Statement 3	\$ <u>353,439</u>	\$ <u>654,609</u>	\$ <u>100,875</u>	\$ <u>857,137</u>

NOTE 6 - PROPERTY TAXES

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

NOTE 6 - PROPERTY TAXES (Continued)

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

The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

The assessed values for the taxes collected in 2000 and 1999 were \$74,438,080 and \$63,808,530, respectively, of which real property represented 89.23 percent (\$66,420,700) and 87.54 percent (\$55,857,820) of the totals, public utility property represented 5.77 percent (\$4,299,970) and 6.63 percent (\$4,233,300) of the totals, and tangible personal property represented 5.00 percent (\$3,717,410) and 5.83 percent (\$3,717,410) of the totals. The full tax rate for all City operations for the years ended December 31, 2000 and 1999, was \$8.15 per \$1,000 of assessed value.

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

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

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

NOTE 7 - 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.

NOTE 7 - INCOME TAX (Continued)

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

In 2000 and 1999, the proceeds were allocated to the general fund. Income tax revenue for 2000 and 1999 was \$888,282 and \$921,809, respectively.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2000 and 1999, consisted of municipal income tax, property and other taxes, accounts, special assessments, 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,	
	<u>2000</u>	<u>1999</u>
General Fund:		
Local Government	\$ 4,101	\$ 3,691
Liquor Permits	327	101
Estate Tax	24,385	17,002
Recycling	-	331
Local Government Revenue Assistance	<u>903</u>	<u>2,589</u>
Total General Fund	<u>30,166</u>	<u>23,714</u>
Special Revenue Funds:		
Street Fund		
Gasoline Cents per Gallon	9,517	10,850
Motor Vehicle License Tax	4,330	1,725
Gasoline Excise Tax	<u>4,811</u>	<u>5,478</u>
Total Street Fund	<u>18,658</u>	<u>18,053</u>
State Highway Fund		
Gasoline Cents per Gallon	771	880
Motor Vehicle License Tax	350	140
Gasoline Excise Tax	390	445
Reimbursement for Street Lighting	<u>164</u>	<u>-</u>
Total State Highway Fund	<u>1,675</u>	<u>1,465</u>
Total Special Revenue Funds	<u>20,333</u>	<u>19,518</u>
Total All Funds	\$ <u>50,499</u>	\$ <u>43,232</u>

NOTE 9 - FIXED ASSETS

A summary of the changes in general fixed assets during the years ended December 31, 2000 and 1999, were as follows:

Classification	Balance December 31, 1999	Increase	Decrease	Balance December 31,
2000				
Land	\$ 455,245	\$ -	\$ 82,500	\$ 372,745
Land Improvements	229,100	-	-	229,100
Buildings	299,900	-	-	299,900
Equipment	304,998	36,659	-	341,657
Vehicles	<u>249,632</u>	<u>65,267</u>	-	<u>314,899</u>
Total Fixed Assets	\$ <u>1,538,875</u>	\$ <u>101,926</u>	\$ <u>82,500</u>	\$ <u>1,558,301</u>

Classification	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
Land	\$ 455,245	\$ -	\$ -	\$ 455,245
Land Improvements	229,100	-	-	229,100
Buildings	299,900	-	-	299,900
Equipment	460,210	17,513	172,725	304,998
Vehicles	<u>1,151,131</u>	-	<u>901,499</u>	<u>249,632</u>
Total Fixed Assets	\$ <u>2,595,586</u>	\$ <u>17,513</u>	\$ <u>1,074,224</u>	\$ <u>1,538,875</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS**Public Employees Retirement System**

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$36,832, \$39,038, and \$49,714, respectively. The full amount has been contributed for 1999 and 1998. 83.90 percent has been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police. For 1999, the City contributions were 12.50 percent for police and 17.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$79,913 for the year ended December 31, 2000, \$52,003 for the year ended December 31, 1999, and \$82,102 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 81.09 percent has been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

NOTE 11 - POST EMPLOYMENT BENEFITS**Public Employees Retirement System**

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

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.54 percent and 5.10 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 401,339. The City's actual contributions for 2000 and 1999 which were used to fund post employment benefits were \$24,217 and \$28,420, respectively. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

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

Ohio Police and Fire Pension Fund

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

NOTE 11 - POST EMPLOYMENT BENEFITS (Continued)

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

The City's actual contributions for 2000 and 1999 that were used to fund post employment benefits were \$47,295 and \$49,213, respectively for police and firefighters. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and firefighters.

NOTE 12 - 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.

NOTE 12 - OTHER EMPLOYEE BENEFITS (Continued)**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 negotiated agreement or the employee's contract. The City provides vision insurance through VSP.

Deferred Compensation

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

NOTE 13 - 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 2000, the City contracted with Hylant-MacLean-Cincinnati Insurance for crime, commercial auto, commercial fire/earthquake/theft, general liability, and inland marine. The coverages and deductibles are as follows:

Type of Coverage	Coverage	Deductible
Crime	\$1,000/10,000	\$0/100
Commercial Auto (per accident)	1,000,000/3,000,000	50/250
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	100

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 2000, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), a group purchasing pool (see Note 19). 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 counties 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 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the past, the City has entered into several capitalized leases for vehicles. Two new capital leases for vehicles were entered into during 2000. The lease agreements are accounted for on a GAAP basis as a capital outlay expenditure with an offsetting amount reported as an other financing source. 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 acquired by lease 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 amounts capitalized in the general fixed assets account group were \$206,118 and \$149,898 in 2000 and 1999, respectively. A corresponding liability was recorded in the general long-term obligations account group.

Principal payments of \$14,219 and \$36,417 were made during 2000 and 1999, respectively, which resulted in a remaining liability of \$49,643 and \$7,642 at December 31, 2000 and 1999, 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, 2000.

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2001	\$ 19,740
2002	15,999
2003	15,999
2004	<u>4,000</u>
Total Minimum Lease Payments	55,738
Less: Amount Representing Interest	<u>(6,095)</u>
Present Value of Minimum Lease Payments	\$ <u>49,643</u>

NOTE 15 - SHORT - TERM OBLIGATIONS

A summary of the note transactions for the years ended December 31, 2000 and 1999 follows:

<u>Fund</u>	<u>December 31, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2000</u>
Special Revenue Fund:				
Fire Equipment Bond Anticipation Note – 4.99%	\$ <u>70,000</u>	\$ <u>60,000</u>	\$ <u>70,000</u>	\$ <u>60,000</u>
Capital Projects Funds:				
Belkenton Sewer Project Bond Anticipation Note – 4.99%	160,000	138,477	160,000	138,477
Street Improvement Bond Anticipation Note – 4.99%	<u>116,600</u>	<u>76,000</u>	<u>116,600</u>	<u>76,000</u>
Total Capital Projects	<u>276,600</u>	<u>214,477</u>	<u>276,600</u>	<u>214,477</u>
Grand Total	\$ <u>346,600</u>	\$ <u>274,477</u>	\$ <u>346,600</u>	\$ <u>274,477</u>

<u>Fund</u>	<u>December 31, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 1999</u>
General Fund:				
Tax Anticipation Note – 5.25%	\$ <u>200,000</u>	\$ <u>-</u>	\$ <u>200,000</u>	\$ <u>60,000</u>
Special Revenue Funds:				
Street Improvement Bond Anticipation Note – 4.05%	40,000	-	40,000	-
Fire Equipment Bond Anticipation Note – 4.05%	<u>80,000</u>	<u>70,000</u>	<u>80,000</u>	<u>70,000</u>
Total Special Revenue	<u>120,000</u>	<u>70,000</u>	<u>120,000</u>	<u>70,000</u>
Capital Projects Funds:				
Belkenton Sewer Project Bond Anticipation Note – 4.05%	160,000	160,000	160,000	160,000
Street Improvement Bond Anticipation Note – 4.05%	<u>116,600</u>	<u>116,600</u>	<u>116,600</u>	<u>116,600</u>
Total Capital Projects	<u>276,600</u>	<u>276,600</u>	<u>276,600</u>	<u>276,600</u>
Grand Total	\$ <u>596,600</u>	\$ <u>346,600</u>	\$ <u>596,600</u>	\$ <u>346,600</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.

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2000 and 1999 were as follows:

<u>Fund</u>	<u>December 31, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2000</u>
General Obligation Bonds:				
Voted:				
1999 Fire Building Bond – 4.49%	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>26,200</u>	\$ <u>373,800</u>
Other Long-Term Obligations:				
Compensated Absences Payable	353,911	84,442	-	438,353
Capital Lease Obligations	7,642	56,220	14,219	49,643
Due to Other Governments	<u>40,515</u>	<u>34,112</u>	<u>40,515</u>	<u>34,112</u>
TOTAL – Other Long-Term Obligations	<u>402,068</u>	<u>174,774</u>	<u>54,734</u>	<u>522,108</u>
TOTAL – General Long-Term Obligations	\$ <u>802,068</u>	\$ <u>174,774</u>	\$ <u>80,934</u>	\$ <u>895,908</u>

<u>Fund</u>	<u>December 31, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 1999</u>
General Obligation Bonds:				
Voted:				
1999 Fire Building Bond – 4.49%	\$ <u>-</u>	\$ <u>400,00</u>	\$ <u>-</u>	\$ <u>400,000</u>
TOTAL – General Obligation Bonds	<u>-</u>	<u>400,00</u>	<u>-</u>	<u>400,000</u>
Other Long-Term Obligations:				
Compensated Absences Payable	378,762	-	24,851	353,911
Capital Lease Obligations	44,059	-	36,417	7,642
Due to Other Governments	<u>43,028</u>	<u>40,515</u>	<u>43,028</u>	<u>40,515</u>
TOTAL – Other Long-Term Obligations	<u>465,849</u>	<u>40,515</u>	<u>104,296</u>	<u>402,068</u>
TOTAL – General Long-Term Obligations	\$ <u>465,849</u>	\$ <u>440,515</u>	\$ <u>104,296</u>	\$ <u>802,068</u>

The Fire Building General Obligation Bonds were issued on March 30, 1999, 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 1999. The bonds were issued at a 4.49% interest rate and will mature semi-annually each year April 1, 2000 through April 1, 2009. The bonds will be paid from the joint fire district capital projects fund.

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Compensated absences and due to other governments (which represents contractually required pension contributions paid outside the available period), will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund and the fire department special revenue fund.

As of December 31, 2000 and 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,170,142 and \$5,955,717, respectively, and the unvoted legal debt margin was \$3,448,238 and \$2,765,290, respectively.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2000 and 1999, were:

Year Ending December 31,	Principal	Interest	Total
2001	\$ 36,600	\$ 16,377	\$ 52,977
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
2006-2009	<u>172,200</u>	<u>15,769</u>	<u>187,969</u>
Total	<u>\$ 373,800</u>	<u>\$ 80,234</u>	<u>\$ 454,034</u>

Year Ending December 31,	Principal	Interest	Total
2000	\$ 26,200	\$ 17,769	\$ 43,969
2001	36,600	16,377	52,977
2002	38,300	14,716	53,016
2003	40,000	12,976	52,976
2004	42,200	11,160	53,360
2005-2009	<u>216,700</u>	<u>25,005</u>	<u>241,705</u>
Total	<u>\$ 400,000</u>	<u>\$ 98,003</u>	<u>\$ 498,003</u>

NOTE 17 - INTERFUND ACTIVITY

As of December 31, 2000 and 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ -	\$ 20,000	\$ -
Special Revenue Funds:				
Fire Department	-	-	-	20,000
Street Maintenance and Repair	<u>11,140</u>	<u>-</u>	<u>12,826</u>	<u>-</u>
Total Special Revenue Fund	11,140	-	12,826	20,000
Capital Projects Funds:				
Belketon Drive	-	6,444	-	7,419
Elwynne Drive	<u>-</u>	<u>4,696</u>	<u>-</u>	<u>5,407</u>
Total Capital Projects Funds	<u>-</u>	<u>11,140</u>	<u>-</u>	<u>12,826</u>
Total All Funds	\$ <u>11,140</u>	\$ <u>11,140</u>	\$ <u>32,826</u>	\$ <u>32,826</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONSCenter 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 contributed \$2,530 and \$750 out of its general fund during 2000 and 1999, respectively. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Ohio, 45236.

Ohio-Kentucky-Indiana Regional Council of Governments

The City participates in the Ohio-Kentucky-Indiana Regional Council of governments (OKI). OKI members include 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 18 - 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 2000 and 1999 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.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to the HCML are made from the general fund. During 2000 and 1999, 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 19 - GROUP PURCHASING POOLThe Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan

For 2000, the City participated in the Ohio Municipal League of Ohio 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 participants 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.

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.

NOTE 20 - JOINT VENTUREDeer 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.

NOTE 20 - JOINT VENTURE (Continued)

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 2000 and 1999, the City contributed \$276,844 and \$106,872, respectively, 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 21 - CONTINGENT LIABILITIESLitigation

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, 2000, to December 31, 2000, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**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, 2000 and 1999, and have issued our report thereon dated June 25, 2001. 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 weakness. However, we believe none of the reportable conditions described in the schedule of findings is a material weakness.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
June 25, 2001

**CITY OF SILVERTON
HAMILTON COUNTY, OHIO
DECEMBER 31, 2000 AND 1999
SCHEDULE OF FINDINGS**

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

Finding Number 2000-20431-001
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:

- Several invoices and deposit slips were not coded to a general ledger account and others that were coded did not get posted to the indicated accounts.
- Proper segregation of duties was not maintained with respect to cash disbursements. The City Administrator has the authority to approve invoices and sign checks. Also, signatures on all checks were stamped, not signed. Per review of the Board minutes, it is the City's policy for all checks over \$1,000 to have an actual signature from an authorized individual.
- W-4's and I-9's were not maintained for any employee
- The tax administrator receives and deposits cash. This function should be segregated.

Finding Number 2000-20431-002
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 performed to prevent this in the future.

**CITY OF SILVERTON
HAMILTON COUNTY, OHIO
DECEMBER 31, 2000 AND 1999
STATUS OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Correct, Partially Corrected, Significantly Different; Corrective Action Taken; or Finding No Longer Valid; Explain</u>
1998-20431-001	Ohio Revised Code Section 117-6-01 requiring the City to prepare its annual financial report in accordance with U.S. generally accepted accounting principles.	Yes	N/A
1998-20431-002	Ohio Revised Code Section 5705.10 requiring that money paid into any fund shall be used solely for the purpose of that fund for which it was established.	Yes	N/A
1998-20431-003	Ohio Revised Code Section 5705.41(B) prohibiting a subdivision from making an expenditure unless it has been appropriated.	Yes	N/A
1998-20431-004	Ohio Revised Code 5705.41(D) prohibiting a subdivision from making a contract or ordering an expenditure unless the certificate of the fiscal officer is attached.	Yes	N/A
1998-20431-005	Finding for internal control system not addressing the need for consistently monitoring budgetary financial information.	Yes	N/A
1998-20431-006	Finding for not maintaining a record of outstanding purchase orders.	Yes	N/A
1998-20431-007	Finding for having improper information on purchase orders.	Yes	N/A
1998-20431-008	Finding for income tax software not accurately accounting for transactions or being supported by a vendor.	Yes	N/A
1998-20431-009	Finding for failing to be year 2000 compliant.	Yes	N/A
1998-20431-010	Finding for various internal control weaknesses in the computer system.	Yes	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 2, 2001**