



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CHEVIOT
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Cheviot, Hamilton County, Ohio (the City), as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Cheviot's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cheviot, as of December 31, 1999 and 1998, and the results of its operations and the cash flows of its enterprise funds for the years then ended in conformity with generally accepted accounting principles.

As more fully described in Note 3 to the 1998 general-purpose financial statements, certain changes in accounting policies and financial reporting practices were made in order to present the aforementioned general-purpose financial statements in conformity with generally accepted accounting principles. Such changes were adopted effective January 1, 1998, and to implement those changes, adjustments were made to restate fund balances as of that date.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2000 on our consideration of the City of Cheviot's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

August 29, 2000

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**City of Cheviot
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$608,628	\$287,958	\$118,919	\$23,546
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Property Taxes	543,490	0	104,956	134,903
Income Taxes	340,014	0	0	0
Other Local Taxes	0	6,638	0	0
Accounts	65,452	0	0	0
Due from Other Governments	47,969	96,283	0	0
Prepaid Items	16,857	0	0	0
Materials and Supplies Inventory	8,006	32,863	0	0
Fixed Assets (net where applicable, of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>\$1,630,416</u>	<u>\$423,742</u>	<u>\$223,875</u>	<u>\$158,449</u>
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$44,993	\$2,347	\$0	\$0
Contracts Payable	11,599	3,800	0	1,797
Accrued Salaries Payable	67,606	14,523	0	0
Due to Other Governments	90,618	2,483	0	0
Deferred Revenue	543,490	0	104,956	134,903
Compensated Absences Payable	0	0	0	0
Undistributed Monies	0	0	0	0
Judgments Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Lease Obligations Payable	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>758,306</u>	<u>23,153</u>	<u>104,956</u>	<u>136,700</u>
Fund Equity:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings, Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	48,602	12,882	0	0
Reserved for Materials and Supplies Inventory	8,006	32,863	0	0
Unreserved, Undesignated	815,502	354,844	118,919	21,749
	<u>872,110</u>	<u>400,589</u>	<u>118,919</u>	<u>21,749</u>
Total Fund Equity	<u>872,110</u>	<u>400,589</u>	<u>118,919</u>	<u>21,749</u>
Total Liabilities and Fund Equity	<u>\$1,630,416</u>	<u>\$423,742</u>	<u>\$223,875</u>	<u>\$158,449</u>

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$12,190	\$1,998	\$0	\$0	\$1,053,239
0	1,240	0	0	1,240
0	0	0	0	783,349
0	0	0	0	340,014
0	0	0	0	6,638
0	0	0	0	65,452
0	0	0	0	144,252
0	0	0	0	16,857
0	0	0	0	40,869
112,240	0	5,266,127	0	5,378,367
0	0	0	118,919	118,919
0	0	0	813,822	813,822
<u>\$124,430</u>	<u>\$3,238</u>	<u>\$5,266,127</u>	<u>\$932,741</u>	<u>\$8,763,018</u>

\$45	\$0	\$0	\$0	\$47,385
2,344	0	0	0	19,540
0	0	0	0	82,129
0	0	0	90,358	183,459
0	0	0	0	783,349
0	0	0	60,742	60,742
0	1,255	0	0	1,255
0	0	0	20,000	20,000
0	0	0	758,159	758,159
0	0	0	3,482	3,482
<u>2,389</u>	<u>1,255</u>	<u>0</u>	<u>932,741</u>	<u>1,959,500</u>
0	0	5,266,127	0	5,266,127
122,041	0	0	0	122,041
0	0	0	0	61,484
0	0	0	0	40,869
0	1,983	0	0	1,312,997
<u>122,041</u>	<u>1,983</u>	<u>5,266,127</u>	<u>0</u>	<u>6,803,518</u>
<u>\$124,430</u>	<u>\$3,238</u>	<u>\$5,266,127</u>	<u>\$932,741</u>	<u>\$8,763,018</u>

City of Cheviot
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1999

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)	
	General	Special Revenue	Debt Service			Capital Projects
Revenues:						
Property Taxes	\$521,071	\$0	\$111,982	\$132,986	\$0	\$766,039
Income Taxes	1,728,806	0	0	0	0	1,728,806
Other Local Taxes	0	98,742	0	0	0	98,742
Intergovernmental	472,814	277,287	14,637	16,857	0	781,595
Charges for Services	2,837	858	0	0	0	3,695
Fines, Licenses and Permits	221,883	33,209	0	0	0	255,092
Rent	65,849	0	0	0	0	65,849
Interest	62,443	0	0	0	0	62,443
Donations	0	3,390	0	0	0	3,390
Miscellaneous	12,257	12,049	14,345	20,200	154	59,005
Total Revenues	3,087,960	425,535	140,964	170,043	154	3,824,656
Expenditures:						
Current:						
Security of Persons and Property	1,464,232	20,953	0	0	0	1,485,185
Transportation	131,987	311,205	0	0	0	443,192
Public Health Services	6,930	0	0	0	0	6,930
Public Works	304,558	499	0	0	0	305,057
Leisure Time Activities	97,362	2,167	0	0	0	99,529
Community Environment	992	0	0	0	0	992
General Government	1,034,344	5,064	1,066	0	0	1,040,474
Capital Outlay	7,796	59,771	0	181,685	0	249,252
Debt Service:						
Principal Retirement	5,158	0	138,890	0	0	144,048
Interest and Fiscal Charges	1,054	0	62,222	0	0	63,276
Total Expenditures	3,054,413	399,659	202,178	181,685	0	3,837,935
Excess of Revenues Over (Under) Expenditures	33,547	25,876	(61,214)	(11,642)	154	(13,279)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	960	0	0	0	0	960
Operating Transfers - In	0	823	73,910	0	0	74,733
Operating Transfers - Out	(84,233)	0	0	0	0	(84,233)
Total Other Financing Sources (Uses)	(83,273)	823	73,910	0	0	(8,540)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(49,726)	26,699	12,696	(11,642)	154	(21,819)
Fund Balances at Beginning of Year	913,830	341,027	106,223	33,391	1,829	1,396,300
Increase in Reserve for Inventory	8,006	32,863	0	0	0	40,869
Fund Balances at End of Year	\$872,110	\$400,589	\$118,919	\$21,749	\$1,983	\$1,415,350

See Accompanying Notes to the General-Purpose Financial Statements

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City of Cheviot
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$571,741	\$521,071	(\$50,670)	\$0	\$0	\$0
Income Taxes	1,525,000	1,700,851	175,851	0	0	0
Other Local Taxes	0	0	0	93,000	98,640	5,640
Intergovernmental	433,800	562,216	128,416	286,463	251,586	(34,877)
Charges for Services	2,100	1,991	(109)	0	0	0
Fines, Licenses and Permits	160,000	216,058	56,058	37,000	34,067	(2,933)
Rent	73,500	65,849	(7,651)	0	0	0
Interest	48,500	62,443	13,943	0	0	0
Donations	0	0	0	1,260	3,390	2,130
Miscellaneous	25,900	11,127	(14,773)	12,600	12,049	(551)
Total Revenues	2,840,541	3,141,606	301,065	430,323	399,732	(30,591)
Expenditures:						
Current:						
Security of Persons and Property	1,489,291	1,489,291	0	109,551	23,941	85,610
Transportation	128,228	128,228	0	397,072	324,066	73,006
Public Health Services	6,930	6,930	0	0	0	0
Public Works	334,045	313,169	20,876	0	0	0
Leisure Time Activities	127,685	105,399	22,286	2,167	2,167	0
Community Environment	1,100	992	108	0	0	0
General Government	1,092,744	995,235	97,509	6,000	5,071	929
Capital Outlay	23,574	7,796	15,778	68,268	67,094	1,174
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,203,597	3,047,040	156,557	583,058	422,339	160,719
Excess of Revenues Over (Under) Expenditures	(363,056)	94,566	457,622	(152,735)	(22,607)	130,128
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	960	960	0	0	0
Operating Transfers - In	45,000	0	(45,000)	0	823	823
Operating Transfers - Out	(134,046)	(84,233)	49,813	0	0	0
Total Other Financing Sources (Uses)	(89,046)	(83,273)	5,773	0	823	823
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(452,102)	11,293	463,395	(152,735)	(21,784)	130,951
Fund Balances at Beginning of Year	477,271	477,271	0	242,198	242,198	0
Prior Year Encumbrances Appropriated	63,862	63,862	0	50,707	50,707	0
Fund Balances at End of Year	\$89,031	\$552,426	\$463,395	\$140,170	\$271,121	\$130,951

See Accompanying Notes to the General-Purpose Financial Statements

Debt Service Funds			Capital Projects Fund			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$124,166	\$111,982	12,184	\$165,983	\$132,986	(\$32,997)	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	14,637	(14,637)	0	16,857	16,857	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	14,345	14,345	0	20,200	20,200	350	154	(196)
<u>124,166</u>	<u>140,964</u>	<u>11,892</u>	<u>165,983</u>	<u>170,043</u>	<u>4,060</u>	<u>350</u>	<u>154</u>	<u>(196)</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
3,000	1,066	1,934	0	0	0	2,175	0	2,175
0	0	0	179,000	179,888	(888)	0	0	0
138,890	138,890	0	0	0	0	0	0	0
62,238	62,222	16	0	0	0	0	0	0
<u>204,128</u>	<u>202,178</u>	<u>1,950</u>	<u>179,000</u>	<u>179,888</u>	<u>(888)</u>	<u>2,175</u>	<u>0</u>	<u>2,175</u>
<u>(79,962)</u>	<u>(61,214)</u>	<u>18,748</u>	<u>(13,017)</u>	<u>(9,845)</u>	<u>3,172</u>	<u>(1,825)</u>	<u>154</u>	<u>1,979</u>
0	0	0	0	0	0	0	0	0
74,000	73,910	(90)	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>74,000</u>	<u>73,910</u>	<u>(90)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(5,962)	12,696	18,658	(13,017)	(9,845)	3,172	(1,825)	154	1,979
106,223	106,223	0	33,391	33,391	0	1,825	1,825	0
0	0	0	0	0	0	0	0	0
<u>\$100,261</u>	<u>\$118,919</u>	<u>\$18,658</u>	<u>\$20,374</u>	<u>\$23,546</u>	<u>\$3,172</u>	<u>\$0</u>	<u>\$1,979</u>	<u>\$1,979</u>

City of Cheviot
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Enterprise Funds
For the Year Ended December 31, 1999

Operating Revenues:	
Charges for Services	<u>\$54,129</u>
Total Operating Revenues	<u>54,129</u>
Operating Expenses:	
Personal Services	21,473
Contractual Services	35,477
Materials and Supplies	7,953
Depreciation	<u>3,680</u>
Total Operating Expenses	<u>68,583</u>
Net Loss before Operating Transfers	(14,454)
Operating Transfers - In	<u>9,500</u>
Net Loss	(4,954)
Retained Earnings at Beginning of Year – Restated (Note 3)	<u>126,995</u>
Retained Earnings at End of Year	<u><u>\$122,041</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

City of Cheviot
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 1999

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for Services	\$66,500	\$54,129	(\$12,371)
Total Revenues	<u>66,500</u>	<u>54,129</u>	<u>(12,371)</u>
Expenses:			
Personal Services	25,000	21,473	3,527
Contractual Services	36,782	33,088	3,694
Materials and Supplies	<u>8,000</u>	<u>7,953</u>	<u>47</u>
Total Expenses	<u>69,782</u>	<u>62,514</u>	<u>7,268</u>
Excess of Revenues Under Expenses Before Operating Transfers	(3,282)	(8,385)	(5,103)
Operating Transfers - In	<u>500</u>	<u>9,500</u>	<u>9,000</u>
Excess of Revenues Over (Under) Expenses and Operating Transfers	(2,782)	1,115	3,897
Fund Equity at Beginning of Year	<u>11,075</u>	<u>11,075</u>	<u>0</u>
Fund Equity at End of Year	<u>\$8,293</u>	<u>\$12,190</u>	<u>\$3,897</u>

See Accompanying Notes to the General-Purpose Financial Statements

City of Cheviot
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 1999

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$54,129
Cash Payments for Employee Services and Benefits	(21,473)
Cash Payments to Suppliers for Goods and Services	<u>(41,041)</u>
Net Cash Used for Operating Activities	<u>(8,385)</u>

Cash Flows from Non-Capital Financing Activities:

Operating Transfers - In	<u>9,500</u>
Net Cash Provided by Non-Capital Financing Activities	<u>9,500</u>

Net Increase in Cash and Cash Equivalents 1,115

Cash and Cash Equivalents at Beginning of Year 11,075

Cash and Cash Equivalents at End of Year \$12,190

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

Operating Loss (\$14,454)

Adjustments to Reconcile Operating Loss to

Net Cash Used for Operating Activities:	
Depreciation	3,680
Changes in Assets and Liabilities:	
Increase in Accounts Payable	45
Increase in Contracts Payable	<u>2,344</u>

Net Cash Used for Operating Activities (\$8,385)

See Accompanying Notes to the General-Purpose Financial Statements

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

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

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

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

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

Basis of Presentation - Fund Accounting

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Type

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

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Fiduciary Fund Types

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

Account Groups

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus and Basis of Accounting

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

The enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is presented as retained earnings. Enterprise funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations have been recorded as a receivable and deferred revenue.

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

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimate resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The certificate of estimate resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

budgetary control is at the program level within each fund (general fund - security of persons and property, transportation, public health services, public works, leisure time activities, community environment, general government, capital outlay, debt service). This is the level at which City Council approves appropriations. The allocation of appropriations between line items within an object may be modified with approval of the Safety Service Director. All other budgetary modifications may only be made by resolution of the City Council.

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested for 1999.

Appropriations

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

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

Lapsing of Appropriations

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

Cash and Cash Equivalents

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

During 1999, the City's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

Following Ohio statutes, the City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$62,443, which includes \$27,864 assigned from other City funds.

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Inventory

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

Fixed Assets and Depreciation

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

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

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

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

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

Buildings and Building Improvements	40 years
Furniture and Equipment	5-10 years

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intergovernmental Revenues

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

Interfund Transactions

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

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

Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. The City did not have any current unpaid compensated absences as of December 31, 1999.

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.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General obligation bonds, judgements payable 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
Due to Other Governments	Will be paid by the fund from which the employee's salary is paid
Judgements Payable	Will be paid by the fund from which the employee's salary is paid
General Obligation Bonds	Will be paid by the Equipment Acquisition Debt Service Fund

Reservations of Fund Balance

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

Estimates

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

Total Columns on General Purpose Financial Statements

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Accountability

The waste collection enterprise fund had a retained earnings deficit of \$1,928 at December 31, 1999. The deficit in this fund is a result of revenues not covering operational costs. The City is going to continue to monitor this deficit and think about providing their own waste collections services as was done in the past.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

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

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

The adjustments necessary to convert the results of operations for the year ended December 31, 1999, on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$49,726)	\$26,699	\$12,696	(\$11,642)	\$154
Adjustments:					
Revenue Accruals	53,646	(25,803)	0	0	0
Expenditure Accruals	63,575	(5,843)	0	1,797	0
Encumbrances	<u>(56,202)</u>	<u>(16,837)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$11,293</u>	<u>(\$21,784)</u>	<u>\$12,696</u>	<u>(\$9,845)</u>	<u>\$154</u>

Net Loss/Excess of Revenues
Over Expenses
All Enterprise Funds

GAAP Basis	(\$4,954)
Adjustments:	
Expense Accruals	9,749
Depreciation Expense	<u>(3,680)</u>
Budget Basis	<u>\$1,115</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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."

Deposits

At year end, the carrying amount of the City's deposits was \$138,180 and the bank balance was \$180,844. Of the bank balance, \$136,171 was covered by federal depository insurance, and \$44,673 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

Investments

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

This investment had a carrying amount and fair value of \$916,299. However, the investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

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

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

	Cash & Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,054,479	\$0
Investments:		
STAR Ohio	(916,299)	916,299
GASB Statement 3	\$138,180	\$916,299

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 1999 for real and public utility property taxes is for 1998 taxes and property tax revenue received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 real property taxes are levied after October 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1999 real property taxes are collected in and intended to finance 2000.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). The 1999 public utility property taxes became a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of assessed valuations.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 6 - PROPERTY TAXES (continued)

The assessed value for the taxes collected in 1999 was \$112,306,600 of which real property represented 92 percent (\$103,051,580) of the total, public utility property represented six percent (\$6,520,270) of the total, and tangible personal property represented two percent (\$2,734,750) of the total. The full tax rate for all City operations for the year ended December 31, 1999, was \$12.84 per \$1,000 of assessed value.

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Cheviot. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1999 operations. The receivable is offset by deferred revenue.

NOTE 7 - INCOME TAX

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

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

In 1999, the proceeds were allocated to the general fund. Income tax revenue for 1999 was \$1,728,806.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999, consisted of property taxes, income taxes, other local taxes, accounts and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 8 - RECEIVABLES (continued)

A summary of intergovernmental receivables follows:

General Fund

Liquor Licensing Fees	\$1,302
Local Government Revenue Assistance	4,470
Undivided Local Government	6,317
Inheritance Tax	35,605
Courtroom Rental	<u>275</u>
Total General Fund	<u>47,969</u>

Special Revenue Funds

Street Construction, Maintenance and Repair

Motor Vehicle Registration	3,583
Gasoline Cents per Gallon	17,818
State Gasoline Excise Tax	<u>8,998</u>
Total Street Construction, Maintenance and Repair Fund	<u>30,399</u>

COPS

COPS Grant	<u>60,115</u>
Total COPS Fund	<u>60,115</u>

Crime Prevention

Crime Prevention Grant	5,569
Immobilization Fees	<u>200</u>
Total Crime Prevention Fund	<u>5,769</u>

Total Special Revenue Funds	<u>96,283</u>
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Total All Funds	<u><u>\$144,252</u></u>
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NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at December 31, 1999, follows:

Buildings and Building Improvements	\$165,600
Less: Accumulated Depreciation	<u>(53,360)</u>
Net Fixed Assets	<u><u>\$112,240</u></u>

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 9 - FIXED ASSETS (continued)

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

Asset Category	Restated Balance at December 31, 1998	Additions	Deletions	Balance at December 31, 1999
Land and Land Improvements	\$354,400	\$0	\$0	\$354,400
Buildings and Building Improvements	2,113,000	0	0	2,113,000
Furniture and Equipment	2,679,083	122,894	3,250	2,798,727
Totals	<u>\$5,146,483</u>	<u>\$122,894</u>	<u>\$3,250</u>	<u>\$5,266,127</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to 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, or by calling (614) 466-8025 or 1-800-222- PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. 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, 1999, 1998, and 1997 were \$65,599, \$105,894, and \$95,908, respectively. The full amount has been contributed for 1998 and 1997. 64 percent has been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (The "Fund"), a cost-sharing-multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund 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. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 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 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$75,835 and \$75,201 for the year ended December 31, 1999, \$93,778 and \$95,301 for 1998, and \$82,279 and \$85,077 for 1997. The full amount has been contributed for 1998 and 1997; 70 percent for police and 66 percent for firefighters have been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. 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 and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) 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 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999.

For 1999, benefits are funded on a pay-as-you-go basis. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$29,467.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (The "Fund") 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 a 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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage and that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll is applied to postemployment health care program. 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 number of participants eligible to receive health care benefits as of December 31, 1998, (the latest information available) was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$42,468 for police and \$30,965 for fire. The Fund's total health care expenses for the year ended December 31, 1998, were \$78,596,790.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated unused vacation time is paid to employees by year-end. Balances are not carried forward. Full time employees of the City of Cheviot are credited with sick leave of 15 days per year. There is not a maximum sick leave accumulation amount.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 12 - OTHER EMPLOYEE BENEFITS (continued)

Upon retirement, payment is made to non-administrative employees of the City for one-fourth of the total sick leave accumulation, up to a maximum payout of 25 days for maintenance department, 120 days for police department and 480 hours for fire department employees. The administrative employees do not receive any payment for accumulated sick days.

B. Insurance Benefits

The City has elected to provide employee medical/surgical and life insurance benefits through Community Mutual Anthem Blue Cross/Blue Shield for all full-time employees. The City pays 100 percent of the monthly premium for administrative employees and 65 percent for all other employees. The premium varies with each employee depending on the coverage elected.

C. 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

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 1999, the City contracted with American Alternative Insurance Corporation for municipal general liability, municipal automobile liability, and to National Casualty Company for the public officials and employees liability and law enforcement liability insurance. The coverages and deductibles are as follows:

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

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During prior years, the City entered into capital leases for the acquisition of copying equipment. The terms of each agreement provide options to purchase the equipment. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

Equipment acquired by lease has been capitalized in the general fixed assets account group at amounts equal to the present value of the future minimum lease payments at the time of acquisition. The amount capitalized in the general fixed assets account group was \$9,744. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 1999 totaled \$5,158 in the governmental funds. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 1999.

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
2000	\$3,153
2001	989
	4,142
Total Minimum Lease Payments	4,142
Less: Amount Representing Interest	(660)
	\$3,482
Present Value of Minimum Lease Payments	\$3,482

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Balance at December 31, 1998	Increases	Decreases	Balance at December 31, 1999
	<u>1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>1999</u>
General Obligation Bonds:				
Unvoted:				
1997 Automotive Equipment Bond, 5.85%	\$257,049	\$0	\$58,890	\$198,159
Voted:				
1986 Municipal Building Bond, 7.38%	<u>640,000</u>	<u>0</u>	<u>80,000</u>	<u>560,000</u>
TOTAL - General Obligation Bonds	<u>897,049</u>	<u>0</u>	<u>138,890</u>	<u>758,159</u>
Other Long-Term Obligations:				
Compensated Absences Payable	58,184	2,558	0	60,742
Judgments Payable	0	20,000	0	20,000
Capital Lease Obligations	8,640	0	5,158	3,482
Due to Other Governments	<u>72,942</u>	<u>90,358</u>	<u>72,942</u>	<u>90,358</u>
TOTAL - Other Long-Term Obligations	<u>139,766</u>	<u>112,916</u>	<u>78,100</u>	<u>174,582</u>
TOTAL - General Long-Term Obligations	<u>\$1,036,815</u>	<u>\$112,916</u>	<u>\$216,990</u>	<u>\$932,741</u>

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

The Municipal Building bonds were issued on August 1, 1986, in the amount of \$1,595,000 for the construction of a municipal building. The bonds were issued at a 7.38 percent interest rate and will reach maturity on November 1, 2006. The bonds are paid from the Equipment Acquisition Debt Service Fund.

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

As of December 31, 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,152,953, and the unvoted legal debt margin was \$6,097,623.

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

	Automotive Equipment Bond	Municipal Building Bond	Total
2000	\$73,928	\$121,300	\$195,228
2001	73,928	115,400	189,328
2002	73,927	109,500	183,427
2003	0	103,600	103,600
2004	0	97,700	97,700
2005-2006	0	177,700	177,700
Total	<u>\$221,783</u>	<u>\$725,200</u>	<u>\$946,983</u>

NOTE 16 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of the swimming pool and waste collection services. Key financial information as of and for the year ended December 31, 1999, for each enterprise fund is as follows:

	Swimming Pool Fund	Waste Collection Fund	Total
Operating Revenues	\$44,511	\$9,618	\$54,129
Depreciation Expense	3,680	0	3,680
Operating Income (Loss)	2,756	(17,210)	(14,454)
Operating Transfers	0	9,500	9,500
Net Income (Loss)	2,756	(7,710)	(4,954)
Net Working Capital	11,729	(1,928)	9,801
Total Assets	124,014	416	124,430
Total Equity (Deficit)	123,969	(1,928)	122,041

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Center for Local Government - The Center for Local Government was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The City does not have any financial interest in or responsibility for the Center. The City's financial contribution during 1999 were immaterial. Information can be obtained from the Center by writing to Lee Meyer, Director of the Center for Local Government, 4144 Crossgate Drive, Ohio, 45236.

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

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

Payments to OKI are made from the general fund. The amount the City paid during 1999 was immaterial. To obtain financial information, write to Barry Blank, Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St. - Suite 400, Cincinnati, Ohio, 45203.

The Hamilton County Municipal League (HCML) - The City participates in the Hamilton County Municipal League, a jointly governed organization. HCML members shall be represented by the Mayor or his designee from the incorporated municipalities of Hamilton County. Any member

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

municipality may nominate for membership a municipality located outside Hamilton County. The purpose of the HCML is the furtherance of local government, the improvement of municipal government and services, promotion of general welfare of the cities and villages, to provide an opportunity for the municipalities to meet as a group for the discussion of mutual problems generally or special problems and to provide training or educational programs as may be deemed appropriate.

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

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

Payments to the HCML are made from the general fund. The amount the City paid during 1999 was immaterial. To obtain financial information, write to Curt Paddock, Director of the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227.

NOTE 18 - CONTINGENT LIABILITIES

Litigation

A judgment against the City of Cheviot has been issued for reinstatement of an employee with no loss of pay. The remaining dispute in this case is the amount of that back pay. The liability to the City can be reasonably estimated at approximately \$20,000 and a settlement is probable in the opinion of the City's law director. A liability was recorded in the general long-term obligations account group.

The City of Cheviot is also party to other 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, 1999, to December 31, 1999, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**City of Cheviot
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1998**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits:					
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$541,134	\$292,905	\$106,222	\$33,391	\$11,075
Investments held by Fiscal and					
Escrow Agents	0	0	0	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0
Receivables:					
Property Taxes	530,831	0	127,849	135,065	0
Income Taxes	312,059	0	0	0	0
Other Local Taxes	0	6,536	0	0	0
Accounts	57,651	0	0	0	0
Accrued Interest		0	0	0	0
Due from Other Governments	137,371	70,582	0	0	0
Prepaid Items	16,563	0	0	0	0
Interfund Receivable	0	0	0	0	0
Fixed Assets (net where applicable, of accumulated depreciation)	0	0	0	0	115,920
Other Debits:					
Amount Available in General Obligation Bond Retirement Debt Service Fund	0	0	0	0	0
Amount Available in Special Assessment Bond Retirement Debt Service Fund		0			
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0	0
Total Assets and Other Debits	<u>\$1,595,609</u>	<u>\$370,023</u>	<u>\$234,071</u>	<u>\$168,456</u>	<u>\$126,995</u>
Liabilities and Fund Equity:					
Liabilities:					
Accounts Payable	\$27,165	\$8,700	\$0	\$0	\$0
Contracts Payable	14,060	1,158	0	0	0
Accrued Salaries Payable	63,905	16,418	0	0	0
Due to Other Governments	45,818	2,720	0	0	0
Deferred Revenue	530,831	0	127,849	135,065	0
Interfund Payable	0	0	0	0	0
Notes Payable	0	0	0	0	0
Compensated Absences Payable	0	0	0	0	0
Undistributed Monies	0	0	0	0	0
Loan Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
Capital Lease Obligations Payable	0	0	0	0	0
Total Liabilities	<u>681,779</u>	<u>28,996</u>	<u>127,849</u>	<u>135,065</u>	<u>0</u>
Fund Equity:					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings, Unreserved	0	0	0	0	126,995
Fund Balances:					
Reserved for Encumbrances	55,482	48,602	0	0	0
Unreserved	858,348	292,425	106,222	33,391	0
Total Fund Equity	<u>913,830</u>	<u>341,027</u>	<u>106,222</u>	<u>33,391</u>	<u>126,995</u>
Total Liabilities and Fund Equity	<u>\$1,595,609</u>	<u>\$370,023</u>	<u>\$234,071</u>	<u>\$168,456</u>	<u>\$126,995</u>

See Accompanying Notes to the General-Purpose Financial Statements

Fiduciary Fund Types Trust and Agency	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$1,829	\$0	\$0	\$986,556
0	0	0	0
1,480	0	0	1,480
0	0	0	793,745
0	0	0	312,059
0	0	0	6,536
0	0	0	57,651
0	0	0	0
0	0	0	207,953
0	0	0	16,563
0	0	0	0
0	5,146,483	0	5,262,403
0	0	0	0
0	0	0	0
0	0	931,388	931,388
0	0	105,427	105,427
<u>\$3,309</u>	<u>\$5,146,483</u>	<u>\$1,036,815</u>	<u>\$8,681,761</u>
\$0	\$0	\$0	\$35,865
0	0	0	15,218
0	0	0	80,323
0	0	72,942	121,480
0	0	0	793,745
0	0	0	0
0	0	0	0
0	0	58,184	58,184
1,484	0	0	1,484
0	0	0	0
0	0	897,049	897,049
0	0	8,640	8,640
<u>1,484</u>	<u>0</u>	<u>1,036,815</u>	<u>2,011,988</u>
0	5,146,483	0	5,146,483
0	0	0	126,995
0	0	0	104,084
<u>1,825</u>	<u>0</u>	<u>0</u>	<u>1,292,211</u>
<u>1,825</u>	<u>5,146,483</u>	<u>0</u>	<u>6,669,773</u>
<u>\$3,309</u>	<u>\$5,146,483</u>	<u>\$1,036,815</u>	<u>\$8,681,761</u>

City of Cheviot
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1998

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Property Taxes	\$517,560	\$0	\$113,080	\$131,865	\$0	\$762,505
Income Taxes	1,542,468	0	0	0	0	1,542,468
Other Local Taxes	0	102,072	0	0	0	102,072
Intergovernmental	621,540	261,867	15,031	17,127	0	915,565
Charges for Services	1,444	0	0	0	0	1,444
Fines, Licenses and Permits	174,711	36,845	0	0	0	211,556
Special Assessments	0	5,391	0	0	0	5,391
Rent	56,816	0	0	0	0	56,816
Interest	39,889	0	0	0	0	39,889
Donations	0	340	0	0	0	340
Miscellaneous	100,162	11,884	0	0	90	112,136
Total Revenues	3,054,590	418,399	128,111	148,992	90	3,750,182
Expenditures:						
Current:						
Security of Persons and Property	1,321,290	71,778	0	0	0	1,393,068
Transportation	107,632	406,362	0	0	0	513,994
Public Health Services	6,228	0	0	0	0	6,228
Public Works	316,070	0	0	0	0	316,070
Leisure Time Activities	126,673	0	0	0	0	126,673
Community Environment	1,100	0	0	0	0	1,100
General Government	914,201	995	2,639	0	0	917,835
Capital Outlay	28,826	8,628	0	270,442	0	307,896
Debt Service:						
Principal Retirement	1,104	0	135,636	0	0	136,740
Interest and Fiscal Charges	780	0	71,239	0	0	72,019
Total Expenditures	2,823,904	487,763	209,514	270,442	0	3,791,623
Excess of Revenues Over (Under) Expenditures	230,686	(69,364)	(81,403)	(121,450)	90	(41,441)
Other Financing Sources (Uses):						
Inception of Capital Lease	9,744	0	0	0	0	9,744
Proceeds from Sale of Fixed Assets	7,625	0	0	0	0	7,625
Operating Transfers-In	0	0	83,472	8,166	0	91,638
Operating Transfers-Out	(91,838)	0	0	0	0	(91,838)
Total Other Financing Sources (Uses)	(74,469)	0	83,472	8,166	0	17,169
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	156,217	(69,364)	2,069	(113,284)	90	(24,272)
Fund Balances at Beginning of Year – Restated (Note 3)	757,613	410,391	104,153	146,675	1,739	1,420,571
Fund Balances at End of Year	\$913,830	\$341,027	\$106,222	\$33,391	\$1,829	\$1,396,299

See Accompanying Notes to the General-Purpose Financial Statements

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City of Cheviot
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$605,106	\$517,560	(\$87,546)	\$0	\$0	\$0
Income Taxes	1,550,000	1,520,695	(29,305)	0	0	0
Other Local Taxes	0	0	0	90,000	103,537	13,537
Intergovernmental	380,675	613,444	232,769	260,000	250,794	(9,206)
Charges for Services	2,550	2,215	(335)	0	0	0
Fines, Licenses and Permits	156,150	170,915	14,765	37,600	36,795	(805)
Special Assessments	0	0	0	0	5,391	5,391
Rent	71,000	59,769	(11,231)	0	0	0
Interest	57,000	58,964	1,964	0	0	0
Donations	500	0	(500)	3,800	390	(3,410)
Miscellaneous	11,500	100,162	88,662	4,500	11,884	7,384
Total Revenues	2,834,481	3,043,724	209,243	395,900	408,791	12,891
Expenditures:						
Current:						
Security of Persons and Property	1,381,777	1,367,130	14,647	91,742	70,546	21,196
Transportation	107,700	107,700	0	471,539	408,497	63,042
Public Health Services	6,228	6,228	0	0	0	0
Public Works	320,823	311,803	9,020	0	0	0
Leisure Time Activities	131,752	131,752	0	700	0	700
Community Environment	1,100	1,100	0	0	0	0
General Government	997,900	933,348	64,552	3,700	995	2,705
Capital Outlay	23,757	20,756	3,001	55,267	55,063	204
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	2,971,037	2,879,817	91,220	622,948	535,101	87,847
Excess of Revenues Over (Under) Expenditures	(136,556)	163,907	300,463	(227,048)	(126,310)	100,738
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,000	7,625	6,625	0	0	0
Operating Transfers - In	20,121	0	(20,121)	0	0	0
Operating Transfers - Out	(91,921)	(91,838)	83	0	0	0
Total Other Financing Sources (Uses)	(70,800)	(84,213)	(13,413)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(207,356)	79,694	287,050	(227,048)	(126,310)	100,738
Fund Balances at Beginning of Year	376,410	376,410	0	262,526	262,526	0
Prior Year Encumbrances Appropriated	21,168	21,168	0	105,982	105,982	0
Fund Balances (Deficit) at End of Year	\$190,222	\$477,272	\$287,050	\$141,460	\$242,198	\$100,738

See Accompanying Notes to the General-Purpose Financial Statements

Debt Service Funds			Capital Projects Fund			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$97,664	\$113,080	(15,416)	\$127,117	\$131,865	\$4,748	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
14,000	15,031	(1,031)	17,000	17,127	127	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	300	90	(210)
<u>111,664</u>	<u>128,111</u>	<u>(16,447)</u>	<u>144,117</u>	<u>148,992</u>	<u>4,875</u>	<u>300</u>	<u>90</u>	<u>(210)</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
3,000	2,639	361	0	0	0	2,035	0	2,035
0	0	0	292,749	271,614	21,135	0	0	0
135,636	135,636	0	0	0	0	0	0	0
<u>71,392</u>	<u>71,239</u>	<u>153</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>210,028</u>	<u>209,514</u>	<u>514</u>	<u>292,749</u>	<u>271,614</u>	<u>21,135</u>	<u>2,035</u>	<u>0</u>	<u>2,035</u>
<u>(98,364)</u>	<u>(81,403)</u>	<u>16,961</u>	<u>(148,632)</u>	<u>(122,622)</u>	<u>26,010</u>	<u>(1,735)</u>	<u>90</u>	<u>1,825</u>
0	0	0	0	0	0	0	0	0
73,928	83,472	9,544	0	8,166	8,166	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>73,928</u>	<u>83,472</u>	<u>9,544</u>	<u>0</u>	<u>8,166</u>	<u>8,166</u>	<u>0</u>	<u>0</u>	<u>0</u>
(24,436)	2,069	26,505	(148,632)	(114,456)	34,176	(1,735)	90	1,825
103,358	103,358	0	63,498	63,498	0	1,735	1,735	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>84,349</u>	<u>84,349</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$78,922</u>	<u>\$105,427</u>	<u>\$26,505</u>	<u>(\$785)</u>	<u>\$33,391</u>	<u>\$34,176</u>	<u>\$0</u>	<u>\$1,825</u>	<u>\$1,825</u>

City of Cheviot
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Enterprise Funds
For the Year Ended December 31, 1998

Operating Revenues:	
Charges for Services	<u>\$47,889</u>
Total Operating Revenues	<u>47,889</u>
Operating Expenses:	
Personal Services	20,427
Contractual Services	24,455
Materials and Supplies	6,624
Depreciation	3,680
Other Expenses	<u>2,890</u>
Total Operating Expenses	<u>58,076</u>
Net Loss before Operating Transfers	(10,187)
Operating Transfers - In	<u>200</u>
Net Loss	(9,987)
Retained Earnings at Beginning of Year – Restated (Note 3)	<u>136,982</u>
Retained Earnings at End of Year	<u><u>\$126,995</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

City of Cheviot
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 1998

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$41,000	\$50,410	\$9,410
Other Operating Revenues	6,000	0	(6,000)
Total Revenues	<u>47,000</u>	<u>50,410</u>	<u>3,410</u>
Expenses:			
Personal Services	29,119	20,427	8,692
Contractual Services	30,100	27,197	2,903
Materials & Supplies	7,000	6,624	376
Other Expenses	<u>3,000</u>	<u>2,890</u>	<u>110</u>
Total Expenses	<u>69,219</u>	<u>57,138</u>	<u>12,081</u>
Excess of Revenues Under Expenses Before Operating Transfers	(22,219)	(6,728)	15,491
Operating Transfers - In	<u>8,000</u>	<u>200</u>	<u>(7,800)</u>
Excess of Revenues Under Expenses and Operating Transfers	(14,219)	(6,528)	7,691
Fund Equity at Beginning of Year	<u>17,603</u>	<u>17,603</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$3,384</u></u>	<u><u>\$11,075</u></u>	<u><u>\$7,691</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

City of Cheviot
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 1998

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$50,410
Cash Payments for Employee Services and Benefits	(20,427)
Cash Payments to Suppliers for Goods and Services	(33,821)
Cash Payments for Other Operating Expenses	<u>(2,890)</u>

Net Cash Used for Operating Activities (6,728)

Cash Flows from Non-Capital Financing Activities:

Operating Transfers - In	<u>200</u>
--------------------------	------------

Net Cash Provided by Non-Capital Financing Activities 200

Net Decrease in Cash and Cash Equivalents (6,528)

Cash and Cash Equivalents at Beginning of Year 17,603

Cash and Cash Equivalents at End of Year \$11,075

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

Operating Loss (\$10,187)

Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:

Depreciation	3,680
Changes in Assets and Liabilities:	
Decrease in Due From Other Governments	2,521
Decrease in Contracts Payable	<u>(2,742)</u>

Net Cash Used for Operating Activities (\$6,728)

See Accompanying Notes to the General-Purpose Financial Statements

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

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

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

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

The City is associated with three organizations which are defined as jointly governed organizations and one organization that is defined as an insurance purchasing pool. These organizations are the Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments (OKI), the Hamilton County Municipal League (HCML), and the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), respectively. These organizations are presented in Notes 17 and 18 of the General Purpose Financial Statements.

Basis of Presentation - Fund Accounting

The City uses funds and an account group 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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

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

device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

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

Account Groups

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus and Basis of Accounting

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

The enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is presented as retained earnings. Enterprise funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one 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: taxpayer assessed income tax, state-levied locally shared taxes (including gasoline tax), rentals, and fines, licenses, and permits.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1998, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations have been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the cost of accumulated sick leave is reported as a fund liability in the period in which it will be liquidated with available financial resources rather than in the period employees earn it. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimate resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the program level (the level at which City Council approves appropriations). All budgetary modifications at this level may only be made by resolution of the City Council. For budgetary statement presentation, we have presented detail at the program level (the level at which City Council approves appropriations).

Tax Budget

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

Estimated Resources

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 1998.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. During the year several supplemental appropriation measures were passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

Lapsing of Appropriations

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

Cash and Cash Equivalents

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

During 1998, the City's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1998.

Following Ohio statutes, the City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1998 amounted to \$39,889, which includes \$18,031 assigned from other City funds.

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Fixed Assets and Depreciation

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

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

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

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

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

Buildings and Building Improvements	40 years
Furniture and Equipment	5-10 years

Intergovernmental Revenues

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

Compensated Absences

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

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. The City did not have any current unpaid compensated absences as of December 31, 1998.

Accrued Liabilities and Long-Term Debt

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

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

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

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

Interfund Transactions

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

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

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.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGE IN ACCOUNTING BASIS AND RESTATEMENT OF FUND EQUITY

For the year ended December 31, 1998, the City has presented for the first time financial statements in accordance with generally accepted accounting principles. In conjunction with this presentation, the City has changed its basis of accounting from a cash basis to the accrual basis. This change required that certain adjustments be recorded to the January 1, 1998, fund balance/retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatements to the opening fund balances/retained earnings are as follows:

<u>Fund Type/Fund</u>	<u>Previously Stated Balance at 12/31/97</u>	<u>Adjustments</u>	<u>Restated Balance at 1/1/98</u>
Governmental Fund Types:			
General	\$397,578	\$360,035	\$757,613
Special Revenue	369,039	41,352	410,391
Debt Service	104,153	0	104,153
Capital Project	147,847	(1,172)	146,675
Proprietary Fund Type:			
Enterprise	17,603	115,699	133,302
Fiduciary Fund Types:			
Expendable Trust	1,739	0	1,739
Agency	79	(79)	0

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

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

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$156,217	(\$69,364)	\$2,069	(\$113,284)	\$90
Adjustments:					
Revenue Accruals	(20,610)	(9,608)	0	0	0
Expenditure Accruals	7,949	3,369	0	(1,172)	0
Encumbrances	<u>(63,862)</u>	<u>(50,707)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$79,694</u>	<u>(\$126,310)</u>	<u>\$2,069</u>	<u>(\$114,456)</u>	<u>\$90</u>

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

Net Loss/Excess of Revenues Under Expenses All Enterprise Funds	
GAAP Basis	(\$9,987)
Adjustments:	
Revenue Accruals	(2,742)
Expense Accruals	2,521
Depreciation Expense	3,680
Budget Basis	<u><u>(\$6,528)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

State statute permits 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;

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

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

Deposits

At year end, the carrying amount of the City's deposits was \$135,031 and the bank balance was \$148,810. Of the bank balance, \$141,685 was covered by federal depository insurance, and \$7,125 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

Investments

GASB Statement No. 3, "Deposits with Financial Instruments, Investments and Reverse Repurchase Agreements," requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City's only investment at the fiscal year end was STAR Ohio. This investment had a carrying amount and fair value of \$850,730. However, the investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer is unclassified since it is not evidenced by securities that exist in physical or book entry form.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

	Cash & Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$985,761	\$0
Investments:		
STAR Ohio	(850,730)	850,730
GASB Statement 3	\$135,031	\$850,730

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 1998 for real and public utility property taxes is for 1997 taxes and property tax revenue received during 1998 for tangible personal property (other than public utility) is for 1998 taxes.

The 1998 real property taxes are levied after October 1, 1998, on the assessed value as of January 1, 1998, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1998 real property taxes are collected in and intended to finance 1999.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). The 1998 public utility property taxes became a lien December 31, 1997, are levied after October 1, 1998, and are collected in 1999 with real property taxes.

The 1998 tangible personal property taxes are levied after October 1, 1997, on the value as of December 31, 1997. Collections are made in 1998. Tangible personal property assessments are 25 percent of assessed valuations.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Cheviot. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 1998, was \$12.84 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based are as follows:

Real Property Assessed Valuation	\$88,281,770
Public Utility Real Property Assessed Valuation	6,367,540
Tangible Personal Property Assessed Valuation	2,782,870
Total	\$97,432,180

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 6 - PROPERTY TAXES (continued)

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

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

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1998. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1998 operations. The receivable is offset by deferred revenue.

NOTE 7 - INCOME TAX

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

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

In 1998, the proceeds were allocated to the general fund. Income tax revenue for 1998 was \$1,542,468.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 8 - RECEIVABLES

Receivables at December 31, 1998, consisted of property taxes, income taxes, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

General Fund

Liquor Licensing Fees	\$95
Local Government Revenue Assistance	3,715
Undivided Local Government	5,178
Inheritance Tax	125,633
Courtroom Rental	<u>2,750</u>
Total General Fund	<u>137,371</u>

Special Revenue Funds

Street Construction, Maintenance and Repair

Motor Vehicle Registration	3,297
Cents per Gallon	17,485
State Gasoline Excise Tax	<u>8,816</u>
Total Street Construction, Maintenance and Repair Fund	<u>29,598</u>

COPS

COPS Grant	<u>40,884</u>
Total COPS Fund	<u>40,884</u>

Crime Prevention

Immobilization Fees	<u>\$100</u>
Total Crime Prevention Fund	<u>100</u>
Total Special Revenue Funds	<u>70,582</u>

Total All Funds	<u><u>\$207,953</u></u>
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NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at December 31, 1998, follows:

Buildings and Building Improvements	\$165,600
Less: Accumulated Depreciation	<u>(49,680)</u>
Net Fixed Assets	<u><u>\$115,920</u></u>

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 9 - FIXED ASSETS (continued)

A summary of the changes in general fixed assets during the year ended December 31, 1998, were as follows:

Asset Category	Restated Balance at December 31, 1997	Additions	Deletions	Balance at December 31, 1998
Land and Land Improvements	\$354,400	\$0	\$0	\$354,400
Buildings and Building Improvements	2,113,000	0	0	2,113,000
Furniture and Equipment	2,617,667	61,416	0	2,679,083
Totals	<u>\$5,085,067</u>	<u>\$61,416</u>	<u>\$0</u>	<u>\$5,146,483</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code.

PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. 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, 1998, 1997, and 1996 were \$105,894, \$95,908, and \$94,317, respectively. The full amount has been contributed for 1997 and 1996. 75 percent has been contributed for 1998 with the remainder being reported as a liability within the general long-term obligations account group.

B. Police and Firemen's Disability and Pension Fund

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the PFDPF for police and firefighters were \$ 93,778 and \$95,301 for the year ended December 31, 1998, \$82,279 and \$85,077 for 1997, and \$84,090 and \$81,606 for 1996. The full amount has been contributed for 1997 and 1996; 75 percent for police and 75 percent for firefighters have been contributed for 1998 with the remainder being reported as a liability within the general long-term obligations account group.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. 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 and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) 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 1998 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1998.

For 1998, benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were \$36,953.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (PFDPF) 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 a 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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the PFDPF's Board of Trustees to provide health care coverage and states that health care cost paid from the PFDPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5 percent of covered payroll is applied to postemployment health care program. 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 number of participants eligible to receive health care benefits as of December 31, 1997, was 11,239 for police and 9,025 for firefighters. The City's actual contributions for 1998 that were used to fund postemployment benefits were \$30,781 for police and \$20,774 for fire. The PFDPF's total health care expenses for the year ended December 31, 1997, (the latest information available) were \$76,459,832.

**CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated unused vacation time is paid to employees at year end. Balances are not carried forward. Full time employees of the City of Cheviot are credited with sick leave of 15 days per year. There is not a maximum sick leave accumulation amount.

Upon retirement, payment is made to non-administrative employees of the City for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 30 days. The administrative employees do not receive any payment for accumulated sick days.

B. Insurance Benefits

The City has elected to provide employee medical/surgical and life insurance benefits through Community Mutual Anthem Blue Cross/Blue Shield for all full-time employees. The City pays 100 percent of the monthly premium. The premium varies with each employee depending on the coverage elected.

C. 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

A. 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 1998, the City contracted with American Alternative Insurance Corporation for municipal general liability, municipal automobile liability, the National Casualty Company for the public officials and employees liability and law enforcement liability insurance. The coverages and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability	\$2,000,000	\$0
Municipal Automobile Liability	100,000/300,000	100/250
Public Official	1,000,000	5,000
Law Enforcement Liability	1,000,000	5,000

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.

B. Workers' Compensation

For fiscal year 1998, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 13 - RISK MANAGEMENT (continued)

one experience and a common premium rate is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to cities that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

The City may withdraw from the GRP 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 any amounts owed to the GRP prior to withdrawal, and any participant leaving the GRP allows the representative of the GRP to access less experience for three years following the last year of participation.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During 1998, the City entered into two capital leases for the acquisition of copying equipment. The terms of each agreement 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/function expenditures on a budgetary basis.

A liability was originally recorded in the general long-term obligations account group in the amount of \$9,744 which was equal to the present value of the future minimum lease payments at the time of acquisition. The liability was then reduced by the principal payment of \$1,104 made during 1998 which resulted in a liability of \$8,640 at December 31, 1998.

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, 1998.

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
1999	\$6,992
2000	2,373
2001	989
Total Minimum Lease Payments	10,354
Less: Amount Representing Interest	(1,714)
Present Value of Minimum Lease Payments	\$8,640

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 1998 were as follows:

	Balance at December 31, <u>1997</u>	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, <u>1998</u>
General Obligation Bonds:				
Unvoted:				
1997 Automotive Equipment Bond, 5.85%	\$312,685	\$0	\$55,636	\$257,049
Voted:				
1986 Municipal Building Bond, 7.38%	<u>720,000</u>	<u>0</u>	<u>80,000</u>	<u>640,000</u>
TOTAL - General Obligation Bonds	<u>1,032,685</u>	<u>0</u>	<u>135,636</u>	<u>897,049</u>
Other Long-Term Obligations:				
Compensated Absences Payable	72,675	6,027	0	78,702
Capital Lease Obligations	0	9,744	1,104	8,640
Due to Other Governments	<u>81,833</u>	<u>72,942</u>	<u>81,833</u>	<u>72,942</u>
TOTAL - Other Long-Term Obligations	<u>154,508</u>	<u>88,713</u>	<u>82,937</u>	<u>160,284</u>
TOTAL - General Long-Term Obligations	<u>\$1,187,193</u>	<u>\$88,713</u>	<u>\$218,573</u>	<u>\$1,057,333</u>

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

The Municipal Building bonds were issued on August 1, 1986 in the amount of \$1,595,000 for the construction of a municipal building. The bonds were issued at a 7.38% interest rate and will reach maturity on November 1, 2006. The bonds are paid from the Equipment Acquisition Debt Service Fund.

Compensated absences and due to other governments will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the General Fund.

As of December 31, 1998, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$10,335,806.

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's outstanding obligations at December 31, 1998, were:

	Automotive Equipment Bond	Municipal Building Bond	Total
1999	\$73,928	\$127,200	\$201,128
2000	73,928	121,300	195,228
2001	73,928	115,400	189,328
2002	73,927	109,500	183,427
2003	0	103,600	103,600
2004-2006	0	275,400	275,400
Total	<u>\$295,711</u>	<u>\$852,400</u>	<u>\$1,148,111</u>

NOTE 16 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of the swimming pool and waste collection services. Key financial information as of and for the year ended December 31, 1998, for each enterprise fund is as follows:

	Swimming Pool Fund	Waste Collection Fund	Total
Operating Revenues	\$39,632	\$8,257	\$47,889
Operating Expenses	34,658	19,738	54,396
Operating Income (Loss)	4,974	(11,481)	(6,507)
Operating Transfers	200	0	200
Net Income (Loss)	5,174	(11,481)	(6,307)
Net Working Capital	5,293	5,782	11,075
Total Assets	5,293	5,782	11,075
Total Equity	5,293	5,782	11,075

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

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

CITY OF CHEVIOT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

regional transportation and development plan within the OKI Region. OKI also serves as an area wide review agency in conjunction with comprehensive planning within the OKI Region.

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

Payments to OKI are made from the general fund. To obtain financial information, write to 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 shall be represented by the Mayor or his designee from the incorporated municipalities of Hamilton County. Any member municipality may nominate for membership a municipality located outside Hamilton County. The purpose of the HCML is the furtherance of local government, the improvement of municipal government and services, promotion of general welfare of the cities and villages, to provide an opportunity for the municipalities to meet as a group for the discussion of mutual problems generally or special problems and to provide training or educational programs as may be deemed appropriate.

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

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

Payments to the HCML are made from the general fund. The amount the City paid during 1998 was immaterial. To obtain financial information, write to the Hamilton County Municipal League at 5725 Dragon Way, Suite 219, Cincinnati, Ohio, 45227

NOTE 18 - INSURANCE PURCHASING POOL

Ohio Rural Water Association Workers' Compensation Group Rating Program (GRP) - The City participates in the Ohio Rural Water Association Worker's Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a twenty-five member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers and three law directors which are voted in by the members for staggered two-year terms. The Executive director of the Ohio Rural Water Association serves as coordinator of the GRP. Each year, the participating cities pay an enrollment fee to the GRP to cover the costs of administering the GRP.

CITY OF CHEVIOT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 19 - CONTINGENT LIABILITIES

Litigation

The City of Cheviot 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, 1998, to December 31, 1998, 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.



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

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

To the City Council:

We have audited the general-purpose financial statements of the City of Cheviot, Hamilton County, Ohio (the City), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 29, 2000, in which we noted that certain changes were made in 1998 accounting policies and financial reporting practices to present the general-purpose financial statements in conformity with generally accepted accounting principles. We conducted our audit in accordance with 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's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-20431-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Cheviot in a separate letter dated August 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 judgement, could adversely affect the City of Cheviot's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-20431-002.

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

City of Cheviot
Hamilton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Cheviot in a separate letter dated August 29, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 29, 2000

**CITY OF CHEVIOT
SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-20431-001

Noncompliance Citation

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

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

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

Goods and services were obtained prior to obtaining the certificate of the fiscal officer in 86% of audited transactions, and did not qualify as an exception to the certification requirements listed above.

FINDING NUMBER 1999-20431-002

Reportable Condition

Ohio Admin. Code, Section 117-3, prescribes the encumbrance procedures necessary to make a valid purchase. The City did not utilize proper encumbrance procedures in 86% of the transactions audited. Improper procedures may cause a purchase to be invalid. The purchasing process should be initiated with a complete and signed purchase order prior to the ordering of goods and services. The department supervisor(s) or other authorized personnel should complete and submit to the Auditor the required purchase requisition. The Auditor should then review the purchase requisition and prepare a purchase order, certifying that the funds are available to purchase the goods and/or services, and that the purchase is valid and for a proper public purpose. The City should institute this process to assure that all expenditures are authorized and valid.



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CITY OF CHEVIOT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 14, 2000