



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF SHARONVILLE  
TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups - at December 31, 1999 .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund Types and Expendable Trust Fund - For the Year Ended December 31, 1999 .....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types - For the Year Ended December 31, 1999 .....	7
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balance - All Proprietary Fund Types - For the Year Ended December 31, 1999 .....	10
Combined Statement of Cash Flows - Proprietary Fund Types - For the Year Ending December 31, 1999 .....	11
Notes to Financial Statements .....	13
Combing Statement of Changes in Assets and Liabilities Agency Fund .....	33
Report of Independent Accounts on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	35
Schedule of Findings .....	37

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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Sharonville  
Hamilton County  
10900 Reading Road  
Sharonville, Ohio 45241

To the City Council:

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

Except as discussed in the following paragraph, 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.

Because of inadequacies in the City's accounting records, we are unable to obtain sufficient documentation regarding the amounts reported as fixed assets in the General Fixed Assets Account Group and the Proprietary Fund Type at December 31, 1999 (stated at \$18,987,462 and \$7,213,245 respectively) or the amount of Proprietary Fund Type depreciation expense for the year then ended.

In our opinion, except that we express no opinion on the amounts shown in the General Fixed Assets Account Group, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain records concerning Proprietary Fund Type fixed assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Sharonville, Hamilton County, Ohio as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our Audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City of Sharonville, Hamilton County, Ohio, taken as a whole. The accompanying Combining Statement of Changes in Assets and Liabilities - All Agency Funds is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing process applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

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 31, 2000

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**THE CITY OF SHARONVILLE, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 1999**

	Governmental			Proprietary		Fiduciary		Account		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency Funds	General Fixed Assets	Long-Term Obligations	Totals (Memorandum Only)	
\$3,004,805	\$862,652	\$381,677	\$3,907,644	\$2,332,148	\$6,596	\$0	\$0	\$0	\$10,495,522	
2,492,444	0	0	0	0	0	0	0	0	2,492,444	
284,699	742	0	0	59,803	0	0	0	0	345,244	
6,368	0	0	0	0	0	0	0	0	6,368	
27,584	0	919,271	0	0	0	0	0	0	946,855	
17,606	31,625	0	77,892	0	0	0	0	0	127,123	
0	22,500	0	0	0	0	0	0	0	22,500	
12,025	0	0	0	2,666	0	0	0	0	14,691	
0	0	0	300,000	13,622	169,503	0	0	0	483,125	
0	0	0	0	7,213,245	0	18,987,462	0	0	26,200,707	
0	0	0	0	0	0	0	0	381,677	381,677	
0	0	0	0	0	0	0	0	8,249,571	8,249,571	
<b>\$5,845,531</b>	<b>\$917,519</b>	<b>\$1,300,948</b>	<b>\$4,285,536</b>	<b>\$9,621,484</b>	<b>\$176,099</b>	<b>\$18,987,462</b>	<b>\$8,631,248</b>	<b>\$49,765,827</b>		

(Continued)

**Assets and Other Debits:**

**Assets:**

Cash and Cash Equivalents

Receivables (net of allowance for doubtful accounts):

Taxes

Accounts

Interest

Special Assessments

Intergovernmental Receivables

Inventory of Supplies at Cost

Prepaid Items

Restricted Assets:

Cash and Cash Equivalents

Fixed Assets (net of accumulated depreciation)

Other Debits:

Amount Available in Debt Service Fund

Amount to be Provided for

General Long-Term Obligations

Total Assets and Other Debits



	Governmental			Proprietary			Fiduciary			Account		
	Fund Types			Fund Type			Fund Types			Groups		
General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)				
\$161,740	\$87,519	\$0	\$94,666	\$83,033	\$0	\$0	\$0	\$426,958				
63,872	3,123	0	0	2,263	0	0	0	69,258				
331,038	24,542	0	0	19,604	595	0	0	375,779				
0	0	0	0	0	168,908	0	0	168,908				
0	0	0	0	22,717	0	0	0	22,717				
0	0	0	0	13,622	0	0	0	13,622				
395,529	0	919,271	0	102,870	0	0	0	1,417,670				
0	0	0	0	0	0	0	0	463,224				
0	0	0	0	94,228	0	0	0	1,818,304				
0	0	0	0	5,800,000	0	0	0	5,605,000				
0	0	0	0	0	0	0	0	710,000				
0	0	0	0	0	0	0	0	34,720				
952,179	115,184	919,271	94,666	6,138,337	169,503	0	8,631,248	17,020,388				
0	0	0	0	0	0	18,987,462	0	18,987,462				
0	0	0	0	79,021	0	0	0	79,021				
0	0	0	0	3,404,126	0	0	0	3,404,126				
289,841	47,974	0	1,526,993	0	0	0	0	1,864,808				
0	22,500	0	0	0	0	0	0	22,500				
12,025	0	0	0	0	0	0	0	12,025				
0	0	381,677	0	0	0	0	0	381,677				
4,591,486	731,861	0	2,663,877	0	6,596	0	0	7,993,820				
4,893,352	802,335	381,677	4,190,870	3,483,147	6,596	18,987,462	0	32,745,439				
\$5,845,531	\$917,519	\$1,300,948	\$4,285,536	\$9,621,484	\$176,099	\$18,987,462	\$8,631,248	\$49,765,827				

Liabilities and Other Credits:

Liabilities:

Accounts Payable  
Accrued Wages and Benefits  
Intergovernmental Payables  
Due to Others  
Accrued Interest Payable  
Customer Deposits  
Deferred Revenue  
Capital Leases Payable  
Compensated Absences Payable  
General Obligation Bonds Payable  
Special Assessment Bonds Payable  
Police/Firemen's Pension Accrued Liability

Total Liabilities

Equity and Other Credits:

Investment in General Fixed Assets  
Contributed Capital  
Retained Earnings:  
Unreserved  
Fund Balances:  
Reserved for Encumbrances  
Reserved for Supplies Inventory  
Reserved for Prepaid Items  
Reserved for Debt Service

Unreserved:

Undesignated  
Total Equity and Other Credits  
Total Liabilities, Equity and Other Credits

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF SHARONVILLE, OHIO**  
**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**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Fund	
<b>Revenues:</b>						
Taxes	\$12,536,287	\$0	\$0	\$0	\$0	\$12,536,287
Intergovernmental Revenues	574,526	1,014,954	0	1,406,726	0	2,996,206
Charges for Services	610,272	1,513	0	0	0	611,785
Licenses and Permits	407,550	53,381	0	0	0	460,931
Investment Earnings	222,716	49,706	34,467	0	0	306,889
Special Assessments	0	0	143,693	0	0	143,693
Fines and Forfeitures	273,028	64,433	0	0	0	337,461
All Other Revenues	116,811	191,780	0	1,480	2,083	312,154
Total Revenues	14,741,190	1,375,767	178,160	1,408,206	2,083	17,705,406
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	5,496,943	62,615	0	0	0	5,559,558
Public Health and Welfare Services	295,667	5,665	0	0	0	301,332
Leisure Time Activities	1,877,362	0	0	0	0	1,877,362
Community Environment	363,099	0	0	0	0	363,099
Basic Utility Services	440,941	0	0	0	0	440,941
Transportation	0	948,442	0	0	0	948,442
General Government	1,914,353	74,549	0	0	0	1,988,902
Other Expenditures	0	0	0	0	738	738
Capital Outlay	0	0	0	2,689,728	0	2,689,728
<b>Debt Service:</b>						
Principal Retirements	0	0	70,000	285,662	0	355,662
Interest and Fiscal Charges	0	0	61,725	315,392	0	377,117
Total Expenditures	10,388,365	1,091,271	131,725	3,290,782	738	14,902,881
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,352,825	284,496	46,435	(1,882,576)	1,345	2,802,525
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	127,000	0	0	3,589,278	233	3,716,511
Operating Transfers Out	(3,799,511)	(47,000)	0	0	0	(3,846,511)
Total Other Financing Sources (Uses)	(3,672,511)	(47,000)	0	3,589,278	233	(130,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	680,314	237,496	46,435	1,706,702	1,578	2,672,525
Fund Balance Beginning of Year	4,213,038	563,428	335,242	2,484,168	5,018	7,600,894
Increase in Inventory Reserve	0	1,411	0	0	0	1,411
Fund Balance End of Year	\$4,893,352	\$802,335	\$381,677	\$4,190,870	\$6,596	\$10,274,830

he notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF SHARONVILLE, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$14,655,600	\$12,364,860	(\$2,290,740)	\$0	\$0	\$0
Intergovernmental Revenues	565,550	560,235	(5,315)	1,241,608	1,036,462	(205,146)
Charges for Services	576,625	576,625	0	1,513	1,513	0
Licenses and Permits	450,500	404,124	(46,376)	53,381	53,381	0
Investment Earnings	200,000	229,799	29,799	52,087	52,087	0
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	231,000	273,100	42,100	63,912	63,912	0
All Other Revenues	54,610	114,896	60,286	405,101	199,955	(205,146)
Total Revenues	<u>16,733,885</u>	<u>14,523,639</u>	<u>(2,210,246)</u>	<u>1,817,602</u>	<u>1,407,310</u>	<u>(410,292)</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	5,722,540	5,577,430	145,110	116,224	77,146	39,078
Public Health and Welfare Services	340,457	305,856	34,601	15,150	5,815	9,335
Leisure Time Activities	1,925,101	1,908,214	16,887	0	0	0
Community Environment	387,111	367,436	19,675	0	0	0
Basic Utility Services	576,798	576,798	0	0	0	0
Transportation	0	0	0	1,170,692	988,789	181,903
General Government	2,186,458	2,014,245	172,213	175,130	74,549	100,581
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>11,138,465</u>	<u>10,749,979</u>	<u>388,486</u>	<u>1,477,196</u>	<u>1,146,299</u>	<u>330,897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,595,420	3,773,660	(1,821,760)	340,406	261,011	(79,395)
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	40,000	127,000	87,000	0	0	0
Operating Transfers Out	(3,949,278)	(3,799,511)	149,767	(47,000)	(47,000)	0
Total Other Financing Sources (Uses)	<u>(3,909,278)</u>	<u>(3,672,511)</u>	<u>236,767</u>	<u>(47,000)</u>	<u>(47,000)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,686,142	101,149	(1,584,993)	293,406	214,011	(79,395)
Fund Balance at Beginning of Year	2,192,620	2,192,620	0	464,606	464,606	0
Prior Year Encumbrances	292,765	292,765	0	46,477	46,477	0
Fund Balance at End of Year	<u>\$4,171,527</u>	<u>\$2,586,534</u>	<u>(\$1,584,993)</u>	<u>\$804,489</u>	<u>\$725,094</u>	<u>(\$79,395)</u>

The notes to the general purpose financial statements are an integral part of this statement.

**THE CITY OF SHARONVILLE, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	3,491,449	1,328,834	(2,162,615)
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	36,215	36,215	0	0	0	0
Special Assessments	481,681	143,693	(337,988)	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	1,480	1,480	0
Total Revenues	517,896	179,908	(337,988)	3,492,929	1,330,314	(2,162,615)
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	5,451,971	4,372,200	1,079,771
Debt Service:						
Principal Retirement	77,750	70,000	7,750	809,062	721,662	87,400
Interest and Fiscal Charges	68,450	61,725	6,725	339,632	326,947	12,685
Total Expenditures	146,200	131,725	14,475	6,600,665	5,420,809	1,179,856
Excess (Deficiency) of Revenues Over (Under) Expenditures	371,696	48,183	(323,513)	(3,107,736)	(4,090,495)	(982,759)
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	0	0	3,589,278	3,589,278	0
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	3,589,278	3,589,278	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	371,696	48,183	(323,513)	481,542	(501,217)	(982,759)
Fund Balance at Beginning of Year	333,494	333,494	0	1,291,207	1,291,207	0
Prior Year Encumbrances	0	0	0	1,496,125	1,496,125	0
Fund Balance at End of Year	\$705,190	\$381,677	(\$323,513)	\$3,268,874	\$2,286,115	(\$982,759)

**THE CITY OF SHARONVILLE, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<i>Expendable Trust Fund</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$14,655,600	\$12,364,860	(\$2,290,740)
Intergovernmental Revenues	0	0	0	5,298,607	2,925,531	(2,373,076)
Charges for Services	0	0	0	578,138	578,138	0
Licenses and Permits	0	0	0	503,881	457,505	(46,376)
Investment Earnings	0	0	0	288,302	318,101	29,799
Special Assessments	0	0	0	481,681	143,693	(337,988)
Fines and Forfeitures	0	0	0	294,912	337,012	42,100
All Other Revenues	7,100	2,083	(5,017)	468,291	318,414	(149,877)
Total Revenues	7,100	2,083	(5,017)	22,569,412	17,443,254	(5,126,158)
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	5,838,764	5,654,576	184,188
Public Health and Welfare Services	0	0	0	355,607	311,671	43,936
Leisure Time Activities	0	0	0	1,925,101	1,908,214	16,887
Community Environment	0	0	0	387,111	367,436	19,675
Basic Utility Services	0	0	0	576,798	576,798	0
Transportation	0	0	0	1,170,692	988,789	181,903
General Government	0	0	0	2,361,588	2,088,794	272,794
Other Expenditures	6,500	738	5,762	6,500	738	5,762
Capital Outlay	0	0	0	5,451,971	4,372,200	1,079,771
Debt Service:						
Principal Retirement	0	0	0	886,812	791,662	95,150
Interest and Fiscal Charges	0	0	0	408,082	388,672	19,410
Total Expenditures	6,500	738	5,762	19,369,026	17,449,550	1,919,476
Excess (Deficiency) of Revenues Over (Under) Expenditures	600	1,345	745	3,200,386	(6,296)	(3,206,682)
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	233	233	0	3,629,511	3,716,511	87,000
Operating Transfers Out	0	0	0	(3,996,278)	(3,846,511)	149,767
Total Other Financing Sources (Uses)	233	233	0	(366,767)	(130,000)	236,767
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	833	1,578	745	2,833,619	(136,296)	(2,969,915)
Fund Balance at Beginning of Year	5,018	5,018	0	4,286,945	4,286,945	0
Prior Year Encumbrances	0	0	0	1,835,367	1,835,367	0
Fund Balance at End of Year	\$5,851	\$6,596	\$745	\$8,955,931	\$5,986,016	(\$2,969,915)

*THE CITY OF SHARONVILLE, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 1999*

	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Charges for Services	\$1,098,039
Other Operating Revenues	103,377
Total Operating Revenues	<u>1,201,416</u>
<u>Operating Expenses:</u>	
Personal Services	537,413
Materials and Supplies	79,461
Contractual Services	519,376
Utilities	130,363
Depreciation	276,104
Other Operating Expenses	2,039
Total Operating Expenses	<u>1,544,756</u>
Operating Loss	(343,340)
<u>Non-Operating Revenues (Expenses):</u>	
Intergovernmental Revenues	720,444
Investment Earnings	207,640
Interest and Fiscal Charges	(297,350)
Total Non-Operating Revenues (Expenses)	<u>630,734</u>
Income Before Operating Transfers	287,394
<u>Operating Transfers:</u>	
Operating Transfers In	210,000
Operating Transfers Out	(80,000)
Total Operating Transfers	<u>130,000</u>
Net Income	417,394
Retained Earnings at Beginning of Year	<u>2,986,732</u>
Retained Earnings at End of Year	<u><u>\$3,404,126</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

*THE CITY OF SHARONVILLE, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 1999*

	Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,074,168
Cash Payments for Goods and Services	(724,358)
Cash Payments to Employees	(516,675)
Other Operating Revenues	103,377
Customer Deposits Received	1,750
Customer Deposits Returned	(2,012)
Net Cash Used for Operating Activities	(63,750)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	210,000
Transfers Out to Other Funds	(80,000)
Net Cash Provided by Noncapital Financing Activities	130,000
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(35,707)
Intergovernmental Revenue Received	720,444
Payment on General Obligation Bonds	(240,000)
Interest Paid on All Debt	(298,290)
Net Cash Provided by Capital and Related Financing Activities	146,447
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	219,044
Net Cash Provided by Investing Activities	219,044
Net Increase in Cash and Cash Equivalents	431,741
Cash and Cash Equivalents at Beginning of Year (Includes Restricted Cash & Cash Equivalents)	1,914,029
Cash and Cash Equivalents at End of Year (Includes Restricted Cash & Cash Equivalents)	\$2,345,770
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$343,340)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	276,104
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(38,894)
Increase in Prepaid Items	(1,455)
Increase in Accounts Payable	56,402
Increase in Accrued Wages and Benefits	2,263
Decrease in Customer Deposits Payable	(262)
Increase in Deferred Revenue	15,023
Decrease in Intergovernmental Payable	(45,449)
Increase in Compensated Absences	15,858
Total Adjustments	279,590
Net Cash Used for Operating Activities	(\$63,750)

The notes to the general purpose financial statements are an integral part of this statement.

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**THE CITY OF SHARONVILLE, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Sharonville, Ohio (the "City") was incorporated in 1961 under the laws of the State of Ohio and operates under a Mayor-Council form of government.

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

Based on the foregoing, the City's financial reporting entity includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which include the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. The City also owns and operates senior citizen housing and a convention center which are reported as enterprise funds. In addition, the City has included the Community Improvement Corporation of Sharonville (CIC) as a blended component unit.

The Community Improvement Corporation of Sharonville (CIC), a non-profit organization, is a six member board comprised of four City officials and two council members. Although it is legally separate from the City, the CIC is reported as if it were part of the primary government because the City can impose its' will on the CIC. The primary purpose of the CIC is the planning of the industrial, commercial, distribution and research development of the City, including the assurance that mortgage payments will be made to foster such development, the acquisition, construction, equipment and improvement of buildings, structures and other properties, the acquisition of sites for such development, the lease, sale and subdivision of such sites and incurring of debt in order to carry out such development, and to make loans to any individual or business entity in order to carry out such development purpose for the City. The City provides all subsidies to the CIC to finance its operations and activities.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation**

The accounting policies of the City conform to generally accepted accounting principles applicable to governments as prescribed by the GASB. The following is a summary of the more significant policies:

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

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

**General Fund** - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are municipal income taxes and shared tax revenues. Primary expenditures are for police and fire protection, community environment and general government.

**Special Revenue Funds** - These funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources which are legally restricted for specific purposes.

**Debt Service Funds** - These funds are used to account for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt bond principal, interest and related costs.

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

***Proprietary Funds*** - The proprietary funds are accounted for on an "economic resource" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) are segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation** (Continued)

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

***Fiduciary Funds***

Trust and Agency Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains an expendable trust fund and agency funds. The expendable trust fund is accounted for and reported similarly to governmental funds. The agency funds are 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 general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

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

**C. Basis of Accounting**

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

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

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Special assessments receivable, which are measurable but not available at December 31, are recorded as deferred revenue.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than the CIC fund (a blended capital project component unit) and agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund level except for the General Fund, Street Construction, Maintenance, and Repair Fund, State Highway Fund, Senior Citizen Housing Fund, and Convention Center Fund, which are budgeted at the fund, department, and function level. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources (Continued)

amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

3. Appropriations

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

The appropriation ordinance establishes spending controls at the fund, department and function level for the General Fund, Street Construction, Maintenance, and Repair Fund, State Highway Fund, Senior Citizen Housing Fund, and the Convention Center Fund, with all other funds appropriated at the fund level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds and the expendable trust fund:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Fund
GAAP Basis (as reported)	\$680,314	\$237,496	\$46,435	\$1,706,702	\$1,578
Increase (Decrease):					
Accrued Revenues at December 31, 1999 received during 2000	(2,433,172)	(32,367)	0	(77,892)	0
Accrued Revenues at December 31, 1998 received during 1999	2,215,621	63,910	1,748	0	0
Accrued Expenditures at December 31, 1999 paid during 2000	556,650	115,184	0	94,666	0
Accrued Expenditures at December 31, 1998 paid during 1999	(497,003)	(32,654)	0	(167,612)	0
1998 Prepays for 1999	7,710	0	0	448	0
1999 Prepays for 2000	(12,025)	0	0	0	0
General Obligation Note:					
Retirements	0	0	0	(436,000)	0
Outstanding Encumbrances	(416,946)	(137,558)	0	(1,621,529)	0
Budget Basis	\$101,149	\$214,011	\$48,183	(\$501,217)	\$1,578

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and the State Treasurer's Assets Reserve (STAR Ohio). STAR Ohio is considered a cash equivalent because it is a highly liquid investment with an original maturity date of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 2 "Cash, Cash Equivalents and Investments."

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 2, "Cash, Cash Equivalents and Investments."

The City has invested funds in STAR Ohio during 1999. 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.

**G. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**H. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

General fixed asset values were initially determined at December 31, 1987 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (Years)
Buildings	25
Improvements other than Buildings	10 - 25
Machinery, Equipment, Furniture and Fixtures	2 - 10



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**I. Long-Term Obligations**

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

Obligation	Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund Crystalview Widening Fund Zind Lane Sewer Fund Crowne Point Fund
General Obligation Bonds	Convention Center Fund Note Debt Retirement Fund
Capital Leases	Capital Improvement Fund
Police/Fire Pension Accrued Liability	General Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Senior Citizen Housing Fund Convention Center Fund

**J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." There were no compensated absences payable from governmental funds at December 31, 1999. The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the Senior Citizens Housing and Convention Center enterprise funds when earned. The related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**K. Pensions**

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

**L. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.

Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during 1999.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

**M. Reservations of Fund Balance**

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

**N. Total Columns on Combined Financial Statements - Overview**

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flow in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**O. Restricted Assets**

Certain cash and cash equivalents are classified as restricted on the balance sheet because these funds are being held by a trustee, an agent or by the City for specified purposes.

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." Ohio law requires the classification of funds held by the City into three categories:

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

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3 "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

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

*Deposits:*

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

*Investments:*

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**A. Deposits**

At year end the carrying amount of the City's deposits was \$397,328 and the bank balance was \$1,328,924. Federal depository insurance covered \$100,000 of the bank balance. All remaining deposits were classified as Category 3.

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

**B. Investments**

The City's Investments at December 31, 1999 are:

<u>Category 3 Investments</u>	<u>Category 3</u>	<u>Carrying Value/ Fair Value</u>
Repurchase Agreement	\$1,043,391	\$1,043,391
Total Categorized Investments	<u>1,043,391</u>	<u>1,043,391</u>
 <u>Noncategorized Investments</u>		
STAR Ohio	N/A	9,537,928
Total Noncategorized Investments	N/A	<u>9,537,928</u>
Total Investments	<u>\$1,043,391</u>	<u>\$10,581,319</u>

**C. Reconciliation of Cash, Cash Equivalents and Investments**

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$10,978,647	\$0
Repurchase Agreement	(1,043,391)	1,043,391
Investments:		
STAR Ohio	(9,537,928)	9,537,928
Per GASB Statement No. 3	<u>\$397,328</u>	<u>\$10,581,319</u>

\* Includes Restricted Cash and Cash Equivalents

**NOTE 3 - INCOME TAXES**

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

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

**NOTE 4 - RECEIVABLES**

Receivables at December 31, 1999 consisted of taxes, accounts receivable, interest, special assessments, and intergovernmental receivables arising from shared revenues.

**NOTE 5 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 1999:

Fund	Transfers In	Transfers Out
General Fund	\$127,000	\$3,799,511
Special Revenue Fund:		
State Health Licenses Fund	0	47,000
Capital Projects Funds:		
Capital Improvements Fund	3,124,138	0
Capital Improvements Issue #2 Fund	100,000	0
Note Debt Retirement Fund	365,140	0
Total Capital Projects Funds	<u>3,589,278</u>	<u>0</u>
Expendable Trust Fund:		
Unclaimed Monies Fund	233	0
Enterprise Funds:		
Senior Citizen Housing Fund	0	80,000
Convention Center Fund	210,000	0
Total Enterprise Funds	<u>210,000</u>	<u>80,000</u>
Totals	<u>\$3,926,511</u>	<u>\$3,926,511</u>

**NOTE 6 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	January 1, 1999	Additions	Deletions	December 31, 1999
Land	\$2,097,504	\$0	\$0	\$2,097,504
Buildings and Improvements	11,775,495	0	0	11,775,495
Machinery and Equipment	4,822,929	303,209	(11,675)	5,114,463
Totals	<u>\$18,695,928</u>	<u>\$303,209</u>	<u>(\$11,675)</u>	<u>\$18,987,462</u>

**B. Proprietary Fixed Assets**

Summary by Category at December 31, 1999:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$789,681	\$0	\$789,681
Buildings and Improvements	8,327,314	(2,100,021)	6,227,293
Machinery and Equipment	388,787	(192,516)	196,271
Property, Plant and Equipment	<u>\$9,505,782</u>	<u>(\$2,292,537)</u>	<u>\$7,213,245</u>

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

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

**A. Public Employees Retirement System (the "PERS of Ohio")**

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *"Accounting for Pensions by State and Local Government Employers."*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1999 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 1999, 1998 and 1997 were \$510,559, \$456,057 and \$402,601, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 4.2% of covered payroll which amounted to \$158,254.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for other postemployment benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)****A. Public Employees Retirement System (the “PERS of Ohio”)** (Continued)

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 1999, 1998 and 1997 were \$410,498, \$346,334 and \$342,738 for police and \$116,146, \$104,301 and \$93,996 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 1999 covered payroll that was used to fund postemployment health care benefits was \$147,358 representing 7.00% of covered payroll for police and \$33,876 representing 7.00% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 1998, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 11,424 for police and 9,186 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790, which was net of member contributions of \$5,331,515.



**NOTE 8 - OTHER EMPLOYEE BENEFITS**

**A. Dental Optical Plan**

The City sponsors a Dental/Optical Plan for full-time employees of the City. Amounts not paid as dental or optical claims are remitted to employees upon termination or retirement. At December 31, 1999, the City had \$142,859 payable to employees for the Dental/Optical Plan.

**B. Compensated Absences**

As of December 31, 1999, the liability for unpaid compensated absences was \$1,818,304 for all funds of the City except the proprietary funds. The entire balance of compensated absences was considered long-term since no payments were anticipated which would require the use of current available financial resources. The long-term liability has been reported in the General Long-Term Obligations Account Group. Compensated absences payable in the proprietary funds was \$94,228, a net increase of \$15,858 from the amount reported at December 31, 1998.

**NOTE 9 - NOTES PAYABLE**

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period.

Notes payable at December 31, 1999 were as follows:

	Balance December 31, 1998	Issued	(Retired)	Balance December 31, 1999
<u>Governmental General Obligation Note:</u>				
4.70% Kemper Road	\$436,000	\$0	(\$436,000)	\$0
Total Notes Payable	<u>\$436,000</u>	<u>\$0</u>	<u>(\$436,000)</u>	<u>\$0</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

Long-term obligations of the City at December 31, 1999 were as follows:

	Balance December 31, 1998	Issued (Retired)	Balance December 31, 1999
<b>Enterprise Funds:</b>			
General Obligation Bond:			
4.70% - 5.30 Convention Center Bonds	\$6,040,000	(\$240,000)	\$5,800,000
Total Enterprise Long-Term Debt	<u>\$6,040,000</u>	<u>(\$240,000)</u>	<u>\$5,800,000</u>
<b>General Long-Term Obligations:</b>			
General Obligation Bond:			
4.60% - 4.80 Recreation Center Bond	\$5,805,000	(\$200,000)	\$5,605,000
Special Assessment Bonds:			
9.75% Crystalview Widening	50,000	(10,000)	40,000
8.00% Zind Lane Sewer	40,000	(5,000)	35,000
7.00% Miller Valentine Phase I	540,000	(45,000)	495,000
7.10% Miller Valentine Phase II	150,000	(10,000)	140,000
Total Special Assessment Bonds (with Government Commitment)	<u>780,000</u>	<u>(70,000)</u>	<u>710,000</u>
<b>Other Long-Term Obligations:</b>			
Compensated Absences	1,658,115	160,189	1,818,304
Capital Leases	548,887	(85,663)	463,224
Police and Firemen's Pension Accrued Liability	35,135	(415)	34,720
Total Other Long-Term Obligations	<u>2,242,137</u>	<u>74,111</u>	<u>2,316,248</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$8,827,137</u>	<u>(\$195,889)</u>	<u>\$8,631,248</u>

The principal amount of the City's special assessment debt outstanding at December 31, 1999, \$710,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$381,677 in the debt service funds at December 31, 1999 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$31,472.

**A. Police and Firemen's Pension Fund**

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 1999 is \$34,720 in principal payments through the year 2035. Only the principal amount is included in the General Long-Term Obligations Account Group.

**NOTE 10 - LONG-TERM OBLIGATIONS (Continued)**

**B. Principal and Interest Requirements**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 1999 follows:

Years	General Obligation Bonds		Special Assessment Bonds		Police/Fire Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$460,000	\$553,774	\$70,000	\$51,290	\$433	\$1,471
2001	480,000	533,054	70,000	46,055	452	1,452
2002	500,000	510,385	75,000	40,820	471	1,433
2003	520,000	486,773	70,000	35,230	491	1,413
2004	545,000	462,215	65,000	29,995	513	1,391
2005-2009	3,135,000	1,899,628	300,000	84,080	2,915	6,605
2010-2014	3,960,000	1,063,375	60,000	4,215	3,594	5,926
2015-2035	1,805,000	153,510	0	0	25,851	14,133
<b>Totals</b>	<b>\$11,405,000</b>	<b>\$5,662,714</b>	<b>\$710,000</b>	<b>\$291,685</b>	<b>\$34,720</b>	<b>\$33,824</b>

**NOTE 11 - CAPITAL LEASE COMMITMENTS**

Under capital leases the City leases a ladder truck and a pumper truck for the fire department. The cost of the leased assets is accounted for in the General Fixed Assets Account Group and the related liability in the General Long-Term Obligations Account Group. The original cost of the assets under capital lease is \$822,277.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 1999.

Year Ending December 31,	Capital Leases
2000	\$115,295
2001	115,296
2002	115,295
2003	65,031
2004	65,030
2005	65,031
Minimum Lease Payments	540,978
Less: Amount representing interest at the City's incremental borrowing rate of interest	(77,754)
Present value of minimum lease payments	<u>\$463,224</u>

**NOTE 12 - CONTINGENCIES**

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

**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. In 1990, the City joined the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 550 member political subdivisions. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies.

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

The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Key financial information for the year ended December 31, 1999 for the City's enterprise activity is as follows:

	Senior Citizen Housing	Senior Citizen Deposit	Convention Center	Total
Operating Revenues	\$189,930	\$0	\$1,011,486	\$1,201,416
Depreciation	65,727	0	210,377	276,104
Operating Income (Loss)	17,964	0	(361,304)	(343,340)
Operating Transfers In	0	0	210,000	210,000
Operating Transfers Out	80,000	0	0	80,000
Net Income (Loss)	(47,631)	0	465,025	417,394
Property, Plant and Equipment:				
Additions	0	0	35,707	35,707
Assets	736,015	13,622	8,871,847	9,621,484
Net Working Capital	129,172	13,622	2,034,958	2,177,752
Bonds Payable	0	0	5,800,000	5,800,000
Total Equity	706,618	0	2,776,529	3,483,147

**THE CITY OF SHARONVILLE, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	Balance December 31, 1998	Additions	Deductions	Balance December 31, 1999
<b><u>Sharonville Mayor's Court Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$12,732	\$412,523	(\$422,365)	\$2,890
Total Assets	<u>\$12,732</u>	<u>\$412,523</u>	<u>(\$422,365)</u>	<u>\$2,890</u>
Liabilities:				
Due to Others	\$12,732	\$412,523	(\$422,365)	\$2,890
Total Liabilities	<u>\$12,732</u>	<u>\$412,523</u>	<u>(\$422,365)</u>	<u>\$2,890</u>
<b><u>Employee Dental, Medical, and Optical Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$116,514	\$95,867	(\$69,522)	\$142,859
Total Assets	<u>\$116,514</u>	<u>\$95,867</u>	<u>(\$69,522)</u>	<u>\$142,859</u>
Liabilities:				
Due to Others	\$116,514	\$95,867	(\$69,522)	\$142,859
Total Liabilities	<u>\$116,514</u>	<u>\$95,867</u>	<u>(\$69,522)</u>	<u>\$142,859</u>
<b><u>Tax Rebate Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$2,618	\$300,000	(\$279,459)	\$23,159
Total Assets	<u>\$2,618</u>	<u>\$300,000</u>	<u>(\$279,459)</u>	<u>\$23,159</u>
Liabilities:				
Due to Others	\$2,618	\$300,000	(\$279,459)	\$23,159
Total Liabilities	<u>\$2,618</u>	<u>\$300,000</u>	<u>(\$279,459)</u>	<u>\$23,159</u>
<b><u>Ohio Board of Building Standards Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$362	\$6,851	(\$6,618)	\$595
Total Assets	<u>\$362</u>	<u>\$6,851</u>	<u>(\$6,618)</u>	<u>\$595</u>
Liabilities:				
Intergovernmental Payables	\$362	\$6,851	(\$6,618)	\$595
Total Liabilities	<u>\$362</u>	<u>\$6,851</u>	<u>(\$6,618)</u>	<u>\$595</u>
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and Cash Equivalents	\$132,226	\$815,241	(\$777,964)	\$169,503
Total Assets	<u>\$132,226</u>	<u>\$815,241</u>	<u>(\$777,964)</u>	<u>\$169,503</u>
Liabilities:				
Due to Others	\$131,864	\$808,390	(\$771,346)	\$168,908
Intergovernmental Payables	362	6,851	(6,618)	595
Total Liabilities	<u>\$132,226</u>	<u>\$815,241</u>	<u>(\$777,964)</u>	<u>\$169,503</u>

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

City of Sharonville  
Hamilton County  
10900 Reading Road  
Sharonville, Ohio 45241

To the City Council:

We have audited the financial statements of the City of Sharonville, Hamilton County, Ohio (the City), as of and for the fiscal year ended December 31, 1999, and have issued our report thereon dated August 31, 2000 in which we disclaimed our opinion on the General Fixed Assets Account Group and qualified our opinion on the fixed assets and related depreciation expense of the Proprietary Fund Type due to inadequacies in the accounting records. Except as discussed in the preceding sentence, 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 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 no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

We also noted certain immaterial instances of noncompliance, that we have reported to management of the City in a separate letter dated August 31, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-20431-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be 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 in a separate letter dated August 31, 2000.

This report is intended for the information and use of the audit committee, the Mayor and 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", written in a cursive style.

**Jim Petro**  
Auditor of State

August 31, 2000



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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 1999-20431-001**

**Material Weakness**

Fixed Assets

The City does not have a fixed asset policy or a formalized system of tracking and valuing fixed assets. As a result, the City has not maintained accounting records sufficient to support the completeness, existence, and valuation of the fixed assets reported in the general-purpose financial statements.

We recommend the City adopt a fixed asset tracking and valuation system. This system should provide supporting documentation on each fixed asset. Such information should include, but not be limited to, date of purchase or acquisition, brief description of the asset; location of asset; identification number; purchase price; estimated useful life; whether the asset is a governmental or proprietary fund fixed asset; disposition date, and amount received on disposition. The system should categorize assets by major type (e.g., land, buildings, equipment) and should summarize the amount invested in fixed assets by major type. The system should also record and summarize depreciation expense and accumulated depreciation for each proprietary fund fixed asset. The system should provide for perpetual updating of this information.





**STATE OF OHIO**  
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**CITY OF SHARONVILLE**

**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**  
**SEPTEMBER 12, 2000**