



To Whom it May Concern:

This report is subject to review and acceptance by the Auditor of State's office, and the requirements of Ohio Revised Code § 117.25 are not met until the Auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or OMB Circular A-133."

***CITY OF SYLVANIA, OHIO***

---

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

*Prepared by:*  
**Scott S. Smith, CPA**  
**Director of Finance**

This Page Intentionally Left Blank

**TABLE OF CONTENTS**

**I FINANCIAL SECTION**

<b>A</b>	Independent Auditors' Report.....	1
<b>B</b>	Management's Discussion and Analysis .....	3
<b>C</b>	Basic Financial Statements:	
	Government-Wide Financial Statements:	
	Statement of Net Assets.....	13
	Statement of Activities .....	14
	Fund Financial Statements:	
	<i>Governmental Funds:</i>	
	Balance Sheet .....	16
	Reconciliation of Total Governmental Fund Balances to Net Assets of	
	Governmental Activities .....	18
	Statement of Revenues, Expenditures and Changes in Fund Balances .....	20
	Reconciliation of the Statement of Revenues, Expenditures and Changes	
	in Fund Balances of Governmental Funds to the Statement of Activities ....	22
	Statement of Revenues, Expenditures and Changes in Fund Balance –	
	Budget and Actual (Non-GAAP Budgetary Basis):	
	General Fund .....	23
	Police Pension Fund – Special Revenue Fund .....	24
	City Services Fund – Special Revenue Fund.....	25
	<i>Proprietary Funds:</i>	
	Statement of Net Assets.....	26
	Statement of Revenues, Expenses and Changes in Fund Net Assets .....	28
	Statement of Cash Flows .....	30
	<i>Fiduciary Funds:</i>	
	Statement of Assets and Liabilities.....	34
	Notes to the Basic Financial Statements.....	35
<b>D</b>	Independent Auditors' Report on Internal Control over Financial Reporting	
	and on Compliance and Other Matters Based on an Audit of Financial Statements	
	Performed in Accordance with Government Auditing Standards .....	71
<b>E</b>	Schedule of Findings .....	73

This Page Intentionally Left Blank



## INDEPENDENT AUDITORS' REPORT

City of Sylvania  
Lucas County  
6730 Monroe Street  
Sylvania, OH 43560

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvania ("City"), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sylvania as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Police Pension Fund and City Services Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, on our consideration of the City of Sylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Walter O'Brien Ltd.*

August 30, 2012

## ***CITY OF SYLVANIA, OHIO***

---

### ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

---

The discussion and analysis of the City of Sylvania's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets decreased \$1,925,607. Net assets of governmental activities decreased \$2,215,177 from 2010. Net assets of business-type activities increased \$289,570 from 2010.
- ❑ General revenues accounted for \$12.1 million in revenue or 53% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 47% of total revenues of \$22.9 million.
- ❑ The City had \$18.3 million in expenses related to governmental activities; only \$4.0 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12.1 million provided for these programs.
- ❑ Among major funds, the general fund had \$15.6 million in revenues which included transfers in from other funds in the amount of \$4.1 million. The general fund had \$15.6 million in expenditures including \$4,166,174 in transfers out to other funds. The general fund's fund balance increased \$48,855 to \$4,833,448.
- ❑ Net assets for enterprise funds increased by \$289,570. This increase resulted primarily from contributed capital in the water and sewer funds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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



## ***CITY OF SYLVANIA, OHIO***

---

### ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

---

#### **Government-Wide Statements**

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

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

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

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

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

#### **Fund Financial Statements**

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

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

# CITY OF SYLVANIA, OHIO

## ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provided a comparison of the City's net assets between December 31, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$27,029,497	\$27,398,542	\$5,751,593	\$2,864,710	\$32,781,090	\$30,263,252
Capital assets, Net	37,166,691	35,839,173	18,157,600	17,494,192	55,324,291	53,333,365
Total assets	64,196,188	63,237,715	23,909,193	20,358,902	88,105,381	83,596,617
Long-term debt outstanding	24,543,865	21,540,723	3,331,329	286,234	27,875,194	21,826,957
Other liabilities	3,162,537	2,992,029	714,816	499,190	3,877,353	3,491,219
Total liabilities	27,706,402	24,532,752	4,046,145	785,424	31,752,547	25,318,176
Net assets						
Invested in capital assets, net of related debt	13,871,109	15,594,414	15,097,600	17,494,192	28,968,709	33,088,606
Restricted	16,419,819	17,960,118	0	0	16,419,819	17,960,118
Unrestricted	6,198,858	5,150,431	4,765,448	2,079,286	10,964,306	7,229,717
Total net assets	\$36,489,786	\$38,704,963	\$19,863,048	\$19,573,478	\$56,352,834	\$58,278,441

This space intentionally left blank.

# CITY OF SYLVANIA, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2011

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,792,132	\$1,823,909	\$5,885,750	\$5,763,411	\$7,677,882	\$7,587,320
Operating Grants and Contributions	1,959,821	2,023,550	0	0	1,959,821	2,023,550
Capital Grants and Contributions	272,706	307,160	857,267	0	1,129,973	307,160
Total Program Revenues	4,024,659	4,154,619	6,743,017	5,763,411	10,767,676	9,918,030
General Revenues:						
Property Taxes	1,306,732	1,345,033	0	0	1,306,732	1,345,033
Income Taxes	8,719,891	8,340,493	0	0	8,719,891	8,340,493
Intergovernmental Grant, Unrestricted	1,614,469	1,779,736	0	0	1,614,469	1,779,736
Investment Earnings	185,794	280,333	24,871	25,861	210,665	306,194
Miscellaneous	293,722	292,871	0	0	293,722	292,871
Total General Revenues	12,120,608	12,038,466	24,871	25,861	12,145,479	12,064,327
Total Revenues	16,145,267	16,193,085	6,767,888	5,789,272	22,913,155	21,982,357
Program Expenses						
Security of Persons and Property	6,647,832	6,870,168	0	0	6,647,832	6,870,168
Public Health and Welfare Services	147,899	262,233	0	0	147,899	262,233
Leisure Time Activities	1,218,715	1,126,588	0	0	1,218,715	1,126,588
Community Environment	810,571	848,237	0	0	810,571	848,237
Basic Utility Services	1,148,473	1,241,239	0	0	1,148,473	1,241,239
Transportation	1,329,203	3,488,394	0	0	1,329,203	3,488,394
General Government	6,316,441	5,953,308	0	0	6,316,441	5,953,308
Interest and Fiscal Charges	710,276	595,674	0	0	710,276	595,674
Water	0	0	3,608,955	3,194,202	3,608,955	3,194,202
Sewer	0	0	2,756,225	2,382,730	2,756,225	2,382,730
Resource Recovery	0	0	144,172	173,515	144,172	173,515
Total Expenses	18,329,410	20,385,841	6,509,352	5,750,447	24,838,762	26,136,288
Change in Net Assets before Transfers	(2,184,143)	(4,192,756)	258,536	38,825	(1,925,607)	(4,153,931)
Transfers	(31,034)	169,568	31,034	(169,568)	0	0
Total Change in Net Assets	(2,215,177)	(4,023,188)	289,570	(130,743)	(1,925,607)	(4,153,931)
Beginning Net Assets, as Restated	38,704,963	42,728,151	19,573,478	19,704,221	58,278,441	62,432,372
Ending Net Assets	\$36,489,786	\$38,704,963	\$19,863,048	\$19,573,478	\$56,352,834	\$58,278,441

This space intentionally left blank.

## CITY OF SYLVANIA, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2011

*Unaudited*

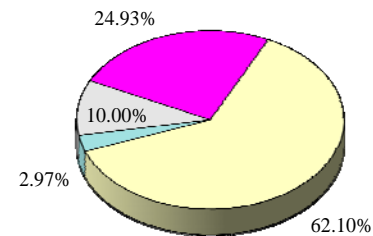
#### Governmental Activities

Net assets of the City's governmental activities decreased by \$2,215,177 compared with a decrease of \$4,023,188 in 2010. The reason for this decrease is mostly due to the fact that revenue stayed consistent from the year before, and expenditures decreased by \$2.0 million.

The City also receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 8.1% and 54.0%, respectively, of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating 62.10% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
Intergovernmental, Unrestricted	\$1,614,469	10.00%
Program Revenues	4,024,659	24.93%
General Tax Revenues	10,026,623	62.10%
General Other	479,516	2.97%
<b>Total Revenue</b>	<b>\$16,145,267</b>	<b>100.00%</b>



#### Business-Type Activities

Net assets of the business-type activities increased by \$289,570. This increase was a result of contributed capital to the water and sewer funds.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$20,820,816, which is a decrease from last year's balance of \$21,580,707. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Fund Balance December 31, 2010	Increase (Decrease)
General	\$4,833,448	\$4,784,593	\$48,855
Police Pension	323,929	329,808	(5,879)
City Services	110,516	143,239	(32,723)
G.O. Debt Service	28,454	136,133	(107,679)
Capital Improvement	14,128,621	14,726,672	(598,051)
Other Governmental	1,395,848	1,460,262	(64,414)
<b>Total</b>	<b>\$20,820,816</b>	<b>\$21,580,707</b>	<b>(\$759,891)</b>

The largest decrease in fund balance came in the Capital Improvement Fund. This was mostly due to transfers to the general fund in order to align the fund balances with the City's financial policy goals.

## ***CITY OF SYLVANIA, OHIO***

### ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

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

	2011	2010	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$8,083,367	\$7,846,565	\$236,802
Intergovernmental Revenue	1,504,956	1,616,751	(111,795)
Charges for Services	504,393	524,562	(20,169)
Licenses, Permits and Fees	304,913	287,241	17,672
Fines and Forfeitures	842,069	831,493	10,576
Investment Earnings	45,257	52,564	(7,307)
All Other Revenue	242,042	213,445	28,597
Total	<u>\$11,526,997</u>	<u>\$11,372,621</u>	<u>\$154,376</u>

General Fund revenues in 2011 increased slightly compared to revenues in fiscal year 2010. The most significant factor contributing to this increase was an increase in income tax collections.

	2011	2010	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$4,625,953	\$4,900,997	(\$275,044)
Public Health and Welfare Services	122,852	220,397	(97,545)
Leisure Time Activities	924,426	833,821	90,605
Community Environment	400,402	459,133	(58,731)
Basic Utility Services	693,442	703,693	(10,251)
Transportation	240,355	292,313	(51,958)
General Government	4,451,807	4,511,873	(60,066)
Total	<u>\$11,459,237</u>	<u>\$11,922,227</u>	<u>(\$462,990)</u>

General Fund expenditures decreased by \$462,990 or 3.9%. This was mostly due to an across the board reduction in order to manage the City's budget.

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

During the course of fiscal year 2011 the City amended its General Fund budget several times, none significant.

# CITY OF SYLVANIA, OHIO

## ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

For the General Fund, final budget basis revenue of \$16.9 million, including transfers in, did not change significantly from the original budget estimates.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of 2011 the City had \$55,324,291 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$37,166,691 was related to governmental activities and \$18,157,600 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$9,867,881	\$9,814,071	\$53,810
Construction in Progress	840,391	444,645	395,746
Land Improvements	1,711,744	1,711,744	0
Buildings	8,925,823	8,748,485	177,338
Machinery and Equipment	4,984,354	4,987,024	(2,670)
Infrastructure	30,430,836	28,382,344	2,048,492
Less: Accumulated Depreciation	(19,594,338)	(18,249,140)	(1,345,198)
Totals	<u>\$37,166,691</u>	<u>\$35,839,173</u>	<u>\$1,327,518</u>

	Business-Type Activities		Increase (Decrease)
	2011	2010	
Construction in Progress	\$629,265	\$0	\$629,265
Buildings	\$619,633	\$619,633	0
Machinery and Equipment	1,303,812	1,301,098	2,714
Improvements	35,952,336	35,356,877	595,459
Less: Accumulated Depreciation	(20,347,446)	(19,783,416)	(564,030)
Totals	<u>\$18,157,600</u>	<u>\$17,494,192</u>	<u>\$663,408</u>

As of December 31, 2011, the City has a contractual commitment of \$1,036,718 for the Sylvania River Trail Project. Additional information on the City's capital assets can be found in Note 9.

## ***CITY OF SYLVANIA, OHIO***

### ***Management's Discussion and Analysis For the Year Ended December 31, 2011***

***Unaudited***

#### ***Debt***

At December 31, 2011, the City had \$23.1 million in bonds outstanding, \$1,155,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

	2011	2010
Governmental Activities:		
General Obligation Bonds	\$23,120,000	\$13,085,000
Promissory Notes	172,918	209,759
Long-Term Note Payable	0	6,950,000
Compensated Absences	1,250,947	1,295,964
Total Governmental Activities	24,543,865	21,540,723
Business-Type Activities:		
General Obligation Bonds	3,060,000	0
Compensated Absences	271,329	286,234
Total Business-Type Activities	3,331,329	286,234
Totals	\$27,875,194	\$21,826,957

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Sylvania lies, is limited to fifteen mills. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

#### **ECONOMIC FACTORS**

The City's economic base continues to be very stable since it is based on primarily commercial and retail with little manufacturing. Medical, education and financial interests provide a relatively predictable income source.

Wage increases averaged about 3.0 percent in 2011; however, medical insurance costs rose significantly. The City has maintained a level workforce number for over five years.

City Council has the ability to increase income tax revenues by eliminating or reducing the 100% credit for taxes paid by residents to other cities in which they work. We are also in our fifth year of a real estate "tax holiday" of 1.5 mills, which City Council has the ability to reinstate at their discretion.

## ***CITY OF SYLVANIA, OHIO***

---

***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

---

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-885-8934 or writing to City of Sylvania Finance Department, 6730 Monroe Street, Sylvania, Ohio 43560.



This Page Intentionally Left Blank

# CITY OF SYLVANIA, OHIO

## Statement of Net Assets December 31, 2011

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,093,305	\$ 372,162	\$ 3,465,467
Investments	16,274,100	4,643,199	20,917,299
Receivables:			
Taxes	3,515,139	0	3,515,139
Accounts	409,190	514,029	923,219
Intergovernmental	1,234,672	0	1,234,672
Interest	10,218	2,759	12,977
Special Assessments	658,913	0	658,913
Internal Balances	601	(601)	0
Inventory of Supplies at Cost	690,701	197,804	888,505
Prepaid Items	67,595	22,241	89,836
Investment in Joint Venture	1,074,000	0	1,074,000
Restricted Assets:			
Cash and Cash Equivalents	1,063	0	1,063
Capital Assets:			
Capital Assets Not Being Depreciated	10,708,272	629,265	11,337,537
Capital Assets Being Depreciated, Net	26,458,419	17,528,335	43,986,754
<b>Total Assets</b>	<b>64,196,188</b>	<b>23,909,193</b>	<b>88,105,381</b>
<b>Liabilities:</b>			
Accounts Payable	335,580	652,890	988,470
Accrued Wages and Benefits	454,221	53,649	507,870
Claims Payable	299,500	0	299,500
Unearned Revenue	2,006,211	0	2,006,211
Accrued Interest Payable	67,025	8,277	75,302
Noncurrent liabilities:			
Due within one year	1,334,422	145,935	1,480,357
Due in more than one year	23,209,443	3,185,394	26,394,837
<b>Total Liabilities</b>	<b>27,706,402</b>	<b>4,046,145</b>	<b>31,752,547</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	13,871,109	15,097,600	28,968,709
Restricted For:			
Capital Projects	14,444,567	0	14,444,567
Debt Service	637	0	637
Other Purposes	1,974,615	0	1,974,615
Unrestricted	6,198,858	4,765,448	10,964,306
<b>Total Net Assets</b>	<b>\$ 36,489,786</b>	<b>\$ 19,863,048</b>	<b>\$ 56,352,834</b>

See accompanying notes to the basic financial statements

# CITY OF SYLVANIA, OHIO

## Statement of Activities For the Year Ended December 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 6,647,832	\$ 201,583	\$ 406,514	\$ 0
Public Health and Welfare Services	147,899	7,446	0	0
Leisure Time Activities	1,218,715	0	0	0
Community Environment	810,571	13,441	240,201	0
Basic Utility Services	1,148,473	442,388	240,201	0
Transportation	1,329,203	14,123	1,050,739	0
General Government	6,316,441	1,113,151	22,166	272,706
Interest and Fiscal Charges	710,276	0	0	0
<b>Total Governmental Activities</b>	<b>18,329,410</b>	<b>1,792,132</b>	<b>1,959,821</b>	<b>272,706</b>
<b>Business-Type Activities:</b>				
Water	3,608,955	3,549,422	0	641,589
Sewer	2,756,225	2,262,112	0	215,678
Resource Recovery	144,172	74,216	0	0
<b>Total Business-Type Activities</b>	<b>6,509,352</b>	<b>5,885,750</b>	<b>0</b>	<b>857,267</b>
<b>Totals</b>	<b>\$ 24,838,762</b>	<b>\$ 7,677,882</b>	<b>\$ 1,959,821</b>	<b>\$ 1,129,973</b>

### General Revenues

Property Taxes  
 Municipal Income Taxes  
 Grants and Entitlements not Restricted to Specific Programs  
 Investment Earnings  
 Miscellaneous  
 Transfers  
 Total General Revenues and Transfers  
  
 Change in Net Assets  
  
 Net Assets Beginning of Year  
 Net Assets End of Year

See accompanying notes to the basic financial statements

***CITY OF SYLVANIA, OHIO***

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (6,039,735)	\$ 0	\$ (6,039,735)
(140,453)	0	(140,453)
(1,218,715)	0	(1,218,715)
(556,929)	0	(556,929)
(465,884)	0	(465,884)
(264,341)	0	(264,341)
(4,908,418)	0	(4,908,418)
(710,276)	0	(710,276)
<u>(14,304,751)</u>	<u>0</u>	<u>(14,304,751)</u>
0	582,056	582,056
0	(278,435)	(278,435)
0	(69,956)	(69,956)
<u>0</u>	<u>233,665</u>	<u>233,665</u>
<u>(14,304,751)</u>	<u>233,665</u>	<u>(14,071,086)</u>
1,306,732	0	1,306,732
8,719,891	0	8,719,891
1,614,469	0	1,614,469
185,794	24,871	210,665
293,722	0	293,722
(31,034)	31,034	0
<u>12,089,574</u>	<u>55,905</u>	<u>12,145,479</u>
(2,215,177)	289,570	(1,925,607)
<u>38,704,963</u>	<u>19,573,478</u>	<u>58,278,441</u>
<u>\$ 36,489,786</u>	<u>\$ 19,863,048</u>	<u>\$ 56,352,834</u>

---

**CITY OF SYLVANIA, OHIO**

---

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2011**

---

	General	Police Pension	City Services
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 309,739	\$ 455,245	\$ 159,465
Investments	3,177,019	0	0
Receivables:			
Taxes	2,222,025	444,338	0
Accounts	250,790	0	0
Intergovernmental	644,948	29,278	0
Interest	1,887	0	0
Special Assessments	0	0	495,915
Inventory of Supplies, at Cost	419,216	0	0
Prepaid Items	55,719	0	808
Restricted Assets:			
Cash and Cash Equivalents	0	0	0
<b>Total Assets</b>	<b>\$ 7,081,343</b>	<b>\$ 928,861</b>	<b>\$ 656,188</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 177,565	\$ 0	\$ 43,543
Accrued Wages and Benefits Payable	266,660	131,316	6,214
Deferred Revenue	1,764,102	473,616	495,915
Compensated Absences Payable	39,568	0	0
<b>Total Liabilities</b>	<b>2,247,895</b>	<b>604,932</b>	<b>545,672</b>
<b>Fund Balances:</b>			
Nonspendable	474,935	0	808
Restricted	0	323,929	109,708
Committed	0	0	0
Assigned	8,857	0	0
Unassigned	4,349,656	0	0
<b>Total Fund Balances</b>	<b>4,833,448</b>	<b>323,929</b>	<b>110,516</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,081,343</b>	<b>\$ 928,861</b>	<b>\$ 656,188</b>

See accompanying notes to the basic financial statements

# CITY OF SYLVANIA, OHIO

G.O. Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 28,454	\$ 1,001,925	\$ 945,538	\$ 2,900,366
0	13,055,844	41,237	16,274,100
605,915	242,861	0	3,515,139
0	1,400	17,174	269,364
39,360	0	521,086	1,234,672
0	7,756	575	10,218
0	162,998	0	658,913
0	0	271,485	690,701
0	0	9,633	66,160
0	0	1,063	1,063
<u>\$ 673,729</u>	<u>\$ 14,472,784</u>	<u>\$ 1,807,791</u>	<u>\$ 25,620,696</u>
\$ 0	\$ 96,561	\$ 14,286	\$ 331,955
0	0	42,310	446,500
645,275	247,602	351,755	3,978,265
0	0	3,592	43,160
<u>645,275</u>	<u>344,163</u>	<u>411,943</u>	<u>4,799,880</u>
0	0	282,181	757,924
0	0	920,068	1,353,705
0	14,128,621	41,962	14,170,583
28,454	0	151,637	188,948
0	0	0	4,349,656
<u>28,454</u>	<u>14,128,621</u>	<u>1,395,848</u>	<u>20,820,816</u>
<u>\$ 673,729</u>	<u>\$ 14,472,784</u>	<u>\$ 1,807,791</u>	<u>\$ 25,620,696</u>

## ***CITY OF SYLVANIA, OHIO***

---

### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2011***

---

<b>Total Governmental Fund Balances</b>	\$ 20,820,816
---	---------------

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

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	37,164,027
---	------------

The government's explicit, measurable equity interest in a joint venture is not a financial asset to the government, therefore it is not reported in the governmental funds. However, the government is required to report the equity interest as an asset in connection with governmental activities in the government-wide statement of net assets.	1,074,000
---	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,972,054
--	-----------

Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(2,834)
---	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(24,538,277)</u>
--	---------------------

<i><b>Net Assets of Governmental Funds</b></i>	<u><u>\$ 36,489,786</u></u>
--	-----------------------------

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank



# CITY OF SYLVANIA, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2011

	General	Police Pension	City Services
<b>Revenues:</b>			
Property Taxes	\$ 925,893	\$ 408,621	\$ 0
Municipal Income Taxes	7,157,474	0	0
Intergovernmental Revenues	1,504,956	71,382	0
Charges for Services	504,393	0	0
Licenses, Permits and Fees	304,913	0	0
Investment Earnings	45,257	0	0
Special Assessments	0	0	749,133
Fines and Forfeitures	842,069	0	0
All Other Revenue	242,042	0	0
<b>Total Revenue</b>	<b>11,526,997</b>	<b>480,003</b>	<b>749,133</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	4,625,953	485,882	368,287
Public Health and Welfare Services	122,852	0	0
Leisure Time Activities	924,426	0	0
Community Environment	400,402	0	256,517
Basic Utility Services	693,442	0	262,152
Transportation	240,355	0	0
General Government	4,451,807	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest & Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>11,459,237</b>	<b>485,882</b>	<b>886,956</b>
Excess (Deficiency) of Revenues Over Expenditures	67,760	(5,879)	(137,823)
<b>Other Financing Sources (Uses):</b>			
Refunding Bonds Issued	0	0	0
General Obligation Bonds Issued	0	0	0
Transfers In	4,100,000	0	105,100
Transfers Out	(4,166,174)	0	0
Payments to Refunding Bond Escrow Agent	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(66,174)</b>	<b>0</b>	<b>105,100</b>
Net Change in Fund Balances	1,586	(5,879)	(32,723)
<b>Fund Balances at Beginning of Year, as Restated</b>	<b>4,784,593</b>	<b>329,808</b>	<b>143,239</b>
Increase in Inventory	47,269	0	0
<b>Fund Balances End of Year</b>	<b>\$ 4,833,448</b>	<b>\$ 323,929</b>	<b>\$ 110,516</b>

See accompanying notes to the basic financial statements

# CITY OF SYLVANIA, OHIO

G.O. Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 1,334,514
0	1,431,308	0	8,588,782
3,324	189,249	1,081,897	2,850,808
0	0	0	504,393
0	0	0	304,913
0	143,954	(1,050)	188,161
0	0	94	749,227
0	0	205,432	1,047,501
24,063	109,708	64,073	439,886
27,387	1,874,219	1,350,446	16,008,185
0	0	76,766	5,556,888
0	0	0	122,852
0	0	0	924,426
0	0	12,248	669,167
0	0	0	955,594
0	0	1,691,954	1,932,309
106,000	0	54,617	4,612,424
0	4,394,319	46,895	4,441,214
605,000	6,986,841	0	7,591,841
619,339	100,509	0	719,848
1,330,339	11,481,669	1,882,480	27,526,563
(1,302,952)	(9,607,450)	(532,034)	(11,518,378)
1,110,000	6,985,000	0	8,095,000
0	3,635,000	0	3,635,000
1,185,567	3,600,000	405,074	9,395,741
0	(5,210,601)	(50,000)	(9,426,775)
(1,100,294)	0	0	(1,100,294)
1,195,273	9,009,399	355,074	10,598,672
(107,679)	(598,051)	(176,960)	(919,706)
136,133	14,726,672	1,460,262	21,580,707
0	0	112,546	159,815
\$ 28,454	\$ 14,128,621	\$ 1,395,848	\$ 20,820,816

## **CITY OF SYLVANIA, OHIO**

---

### ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2011***

---

Net Change in Fund Balances - Total Governmental Funds	\$ (919,706)
--	--------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,568,154
--	-----------

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.	(237,972)
---	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	137,082
--	---------

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(3,048,159)
---	-------------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	19,866
--	--------

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	215,486
--	---------

The internal service funds, which are used by management to charge the costs of services to individual funds, are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.	50,072
---	--------

<b><i>Change in Net Assets of Governmental Activities</i></b>	<b><u><u>\$ (2,215,177)</u></u></b>
---	-------------------------------------

See accompanying notes to the basic financial statements

# CITY OF SYLVANIA, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 921,000	\$ 921,000	\$ 925,893	\$ 4,893
Municipal Income Taxes	7,000,000	7,000,000	7,173,315	173,315
Intergovernmental Revenue	1,638,658	1,638,658	1,616,189	(22,469)
Charges for Services	510,850	510,850	508,337	(2,513)
Licenses, Permits and Fees	258,800	258,800	302,050	43,250
Investment Earnings	55,000	55,000	40,120	(14,880)
Fines and Forfeitures	987,200	987,200	828,556	(158,644)
All Other Revenues	159,500	159,440	208,348	48,908
Total Revenues	11,531,008	11,530,948	11,602,808	71,860
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,844,535	4,868,648	4,634,743	233,905
Public Health and Welfare Services	132,575	142,075	137,321	4,754
Leisure Time Activities	904,054	940,804	931,807	8,997
Community Environment	387,449	406,649	399,308	7,341
Basic Utility Services	756,200	667,850	664,288	3,562
Transportation	265,620	278,920	237,379	41,541
General Government	4,633,428	4,722,728	4,473,671	249,057
Total Expenditures	11,923,861	12,027,674	11,478,517	549,157
Excess (Deficiency) of Revenues Over (Under) Expenditures	(392,853)	(496,726)	124,291	621,017
<b>Other Financing Sources (Uses):</b>				
Transfers In	5,342,657	5,342,657	4,100,000	(1,242,657)
Transfers Out	(4,406,200)	(4,250,600)	(4,166,174)	84,426
Total Other Financing Sources (Uses):	936,457	1,092,057	(66,174)	(1,158,231)
Net Change In Fund Balance	543,604	595,331	58,117	(537,214)
Fund Balance at Beginning of Year	3,412,562	3,412,562	3,412,562	0
Prior Year Encumbrances	9,322	9,322	9,322	0
Fund Balance at End of Year	\$ 3,965,488	\$ 4,017,215	\$ 3,480,001	\$ (537,214)

See accompanying notes to the basic financial statements

## ***CITY OF SYLVANIA, OHIO***

***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund - Police Pension Fund  
For the Year Ended December 31, 2011***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 400,000	\$ 400,000	\$ 408,621	\$ 8,621
Intergovernmental Revenue	40,842	40,842	71,382	30,540
Total Revenues	440,842	440,842	480,003	39,161
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	506,200	506,200	488,989	17,211
Total Expenditures	506,200	506,200	488,989	17,211
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,358)	(65,358)	(8,986)	56,372
Fund Balance at Beginning of Year	464,231	464,231	464,231	0
Fund Balance at End of Year	\$ 398,873	\$ 398,873	\$ 455,245	\$ 56,372

See accompanying notes to the basic financial statements

# CITY OF SYLVANIA, OHIO

***Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund - City Services Fund  
For the Year Ended December 31, 2011***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Special Assessments	\$ 773,000	\$ 773,000	\$ 749,133	\$ (23,867)
All Other Revenues	2,000	2,000	0	(2,000)
Total Revenues	<u>775,000</u>	<u>775,000</u>	<u>749,133</u>	<u>(25,867)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	291,000	384,150	382,448	1,702
Community Environment	284,800	284,800	253,610	31,190
Basic Utility Services	<u>349,800</u>	<u>353,850</u>	<u>271,760</u>	<u>82,090</u>
Total Expenditures	<u>925,600</u>	<u>1,022,800</u>	<u>907,818</u>	<u>114,982</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(150,600)	(247,800)	(158,685)	89,115
<b>Other Financing Sources (Uses):</b>				
Transfers In	<u>85,700</u>	<u>190,800</u>	<u>105,100</u>	<u>(85,700)</u>
Total Other Financing Sources (Uses):	<u>85,700</u>	<u>190,800</u>	<u>105,100</u>	<u>(85,700)</u>
Net Change In Fund Balance	(64,900)	(57,000)	(53,585)	3,415
Fund Balance at Beginning of Year	207,650	207,650	207,650	0
Prior Year Encumbrances	<u>5,400</u>	<u>5,400</u>	<u>5,400</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 148,150</u>	<u>\$ 156,050</u>	<u>\$ 159,465</u>	<u>\$ 3,415</u>

See accompanying notes to the basic financial statements

# CITY OF SYLVANIA, OHIO

## Statement of Net Assets Proprietary Funds December 31, 2011

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 264,139	\$ 92,187	\$ 15,836
Investments	3,441,932	1,201,267	0
Accounts Receivable	273,821	240,208	0
Interest Receivable	2,045	714	0
Inventory of Supplies at Cost	148,179	49,625	0
Prepaid Items	12,208	9,424	609
Total current assets	<u>4,142,324</u>	<u>1,593,425</u>	<u>16,445</u>
Noncurrent assets:			
Capital assets:			
Property, Plant and Equipment	12,460,444	25,251,104	164,233
Construction in Progress	629,265	0	0
Less accumulated depreciation	<u>(5,763,623)</u>	<u>(14,419,590)</u>	<u>(164,233)</u>
Total noncurrent assets	<u>7,326,086</u>	<u>10,831,514</u>	<u>0</u>
Total assets	<u>11,468,410</u>	<u>12,424,939</u>	<u>16,445</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	231,612	418,592	2,686
Accrued Wages and Benefits	31,854	21,231	564
Claims Payable	0	0	0
Accrued Interest Payable	8,277	0	0
General Obligation Bonds Payable - Current	<u>125,000</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>396,743</u>	<u>439,823</u>	<u>3,250</u>
Noncurrent Liabilities:			
General Obligation Bonds Payable	2,935,000	0	0
Compensated Absences Payable	<u>189,832</u>	<u>81,497</u>	<u>0</u>
Total noncurrent liabilities	<u>3,124,832</u>	<u>81,497</u>	<u>0</u>
<b>Total Liabilities</b>	<u>3,521,575</u>	<u>521,320</u>	<u>3,250</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,266,086	10,831,514	0
Unrestricted	<u>3,680,749</u>	<u>1,072,105</u>	<u>13,195</u>
Total Net Assets	<u>\$ 7,946,835</u>	<u>\$ 11,903,619</u>	<u>\$ 13,195</u>

Adjustment to reflect the consolidation of internal  
service fund activities related to the enterprise funds.  
Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

---

---

**CITY OF SYLVANIA, OHIO**

---

	Governmental
	Activities
	Internal Service
Total	Funds
\$ 372,162	\$ 192,939
4,643,199	0
514,029	139,826
2,759	0
197,804	0
22,241	1,435
<u>5,752,194</u>	<u>334,200</u>
37,875,781	15,985
629,265	0
<u>(20,347,446)</u>	<u>(13,321)</u>
18,157,600	2,664
<u>23,909,794</u>	<u>336,864</u>
652,890	3,625
53,649	7,721
0	299,500
8,277	0
<u>125,000</u>	<u>0</u>
839,816	310,846
2,935,000	0
<u>271,329</u>	<u>29,453</u>
3,206,329	29,453
<u>4,046,145</u>	<u>340,299</u>
15,097,600	2,664
<u>4,766,049</u>	<u>(6,099)</u>
19,863,649	<u>\$ (3,435)</u>
<u>(601)</u>	
<u>\$ 19,863,048</u>	



# CITY OF SYLVANIA, OHIO

## Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2011

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<b>Operating Revenues:</b>			
Charges for Services	\$ 3,473,615	\$ 2,168,754	\$ 74,216
Other Operating Revenues	75,807	93,358	0
<b>Total Operating Revenues</b>	<u>3,549,422</u>	<u>2,262,112</u>	<u>74,216</u>
<b>Operating Expenses:</b>			
Personal Services	875,396	749,939	73,810
Materials and Supplies	127,082	98,725	14,650
Contractual Services	2,314,301	1,449,275	55,712
Depreciation	258,111	465,970	0
<b>Total Operating Expenses</b>	<u>3,574,890</u>	<u>2,763,909</u>	<u>144,172</u>
<b>Operating Loss</b>	(25,468)	(501,797)	(69,956)
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	13,413	11,458	0
Interest and Fiscal Charges	(42,431)	0	0
Capital Contributions	641,589	215,678	0
Other Nonoperating Revenue	0	0	0
<b>Total Non-Operating Revenues (Expenses)</b>	<u>612,571</u>	<u>227,136</u>	<u>0</u>
<b>Income (Loss) Before Transfers</b>	587,103	(274,661)	(69,956)
<b>Transfers:</b>			
Transfers In	0	0	56,000
Transfers Out	(12,483)	(12,483)	0
<b>Total Transfers</b>	<u>(12,483)</u>	<u>(12,483)</u>	<u>56,000</u>
<b>Change in Net Assets</b>	574,620	(287,144)	(13,956)
Net Assets Beginning of Year	<u>7,372,215</u>	<u>12,190,763</u>	<u>27,151</u>
<b>Net Assets End of Year</b>	<u>\$ 7,946,835</u>	<u>\$ 11,903,619</u>	<u>\$ 13,195</u>

Change in Net Assets - Total Enterprise Funds

Adjustment to reflect the consolidation of internal  
service fund activities related to the enterprise funds.

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

# *CITY OF SYLVANIA, OHIO*

		Governmental
		Activities
		Internal Service
Total		Funds
\$ 5,716,585	\$	2,233,602
169,165		0
5,885,750		2,233,602
1,699,145		1,801,332
240,457		137,392
3,819,288		403,610
724,081		2,664
6,482,971		2,344,998
(597,221)		(111,396)
24,871		0
(42,431)		0
857,267		0
0		177,518
839,707		177,518
242,486		66,122
56,000		0
(24,966)		0
31,034		0
273,520		66,122
19,590,129		(69,557)
19,863,649	\$	(3,435)
273,520		
16,050		
\$ 289,570		

# CITY OF SYLVANIA, OHIO

***Statement of Cash Flows***  
***Proprietary Funds***  
***For the Year Ended December 31, 2011***

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,546,519	\$2,209,643	\$74,711
Cash Payments for Goods and Services	(2,381,679)	(1,390,409)	(74,710)
Cash Payments to Employees	(861,736)	(776,960)	(74,726)
Net Cash Provided (Used) by Operating Activities	303,104	42,274	(74,725)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	56,000
Transfers Out to Other Funds	(12,483)	(12,483)	0
Miscellaneous Nonoperating Revenue	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	(12,483)	(12,483)	56,000
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(507,798)	(22,424)	0
General Obligation Bonds Issued	3,060,000	0	0
Interest Paid on All Debt	(34,154)	0	0
Net Cash Provided (Used) by Capital and Related Financing Activities	2,518,048	(22,424)	0
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(2,631,494)	(32,399)	0
Receipts of Interest	12,226	9,655	0
Net Cash Used for Investing Activities	(2,619,268)	(22,744)	0
Net Increase (Decrease) in Cash and Cash Equivalents	189,401	(15,377)	(18,725)
Cash and Cash Equivalents at Beginning of Year	74,738	107,564	34,561
Cash and Cash Equivalents at End of Year	\$264,139	\$92,187	\$15,836

## ***CITY OF SYLVANIA, OHIO***

---

---

	Governmental Activities
Totals	Internal Service Funds
\$5,830,873	\$2,242,057
(3,846,798)	(548,533)
(1,713,422)	(1,800,325)
270,653	(106,801)
56,000	0
(24,966)	0
0	37,692
31,034	37,692
(530,222)	0
3,060,000	0
(34,154)	0
2,495,624	0
(2,663,893)	0
21,881	0
(2,642,012)	0
155,299	(69,109)
216,863	262,048
\$372,162	\$192,939

(Continued)

# CITY OF SYLVANIA, OHIO

***Statement of Cash Flows***  
***Proprietary Funds***  
***For the Year Ended December 31, 2011***

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Loss	(\$25,468)	(\$501,797)	(\$69,956)
Adjustments to Reconcile Operating Loss to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	258,111	465,970	0
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(2,903)	(52,469)	495
Decrease in Inventory	12,503	531	0
Decrease (Increase) in Prepaid Items	3,225	(9,424)	(609)
Increase (Decrease) in Accounts Payable	43,836	166,484	(3,739)
Increase (Decrease) in Accrued Wages and Benefits	(466)	2,150	(916)
Decrease in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences	14,266	(29,171)	0
Total Adjustments	328,572	544,071	(4,769)
Net Cash Provided (Used) by Operating Activities	<u>\$303,104</u>	<u>\$42,274</u>	<u>(\$74,725)</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During 2011 the fair value of investments decreased by \$2,275 and \$794 in the Water and Sewer Funds respectively.

In addition, the Water and the Sewer Fund had capital assets purchased from capital contributions in the amounts of \$641,589 and \$215,678, respectively.

See accompanying notes to the basic financial statements

## ***CITY OF SYLVANIA, OHIO***

---

---

	Governmental Activities
Totals	Internal Service Funds
(\$597,221)	(\$111,396)
724,081	2,664
(54,877)	8,455
13,034	0
(6,808)	(1,435)
206,581	(6,096)
768	255
0	(4,700)
(14,905)	5,452
867,874	4,595
\$270,653	(\$106,801)

## ***CITY OF SYLVANIA, OHIO***

---

***Statement of Assets and Liabilities  
Fiduciary Fund  
December 31, 2011***

---

	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	<u>\$ 100,263</u>
<b>Total Assets</b>	<u>100,263</u>
<b>Liabilities:</b>	
Due to Others	<u>100,263</u>
<b>Total Liabilities</b>	<u>\$ 100,263</u>

See accompanying notes to the basic financial statements

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

The City of Sylvania, Ohio (the "City") is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter which provides for a Council/Mayor form of government, was adopted in 1961 and has been amended 3 times (1968, 1984, 1985).

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2011 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

##### **A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of 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 reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the City's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, there are no potential component units that meet the criteria imposed by GASB Statement No. 14 to be included in the City's reporting entity. The reporting entity of the City includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety, highways and streets, sanitation, cemetery, health and social services, culture and recreation, public improvements, planning and zoning and general administrative services. In addition, the City owns the water distribution and wastewater collection systems and a resource recovery operation, which are reported as enterprise funds. Water treatment services are provided by the City of Toledo. Wastewater treatment services are provided by Lucas County.

##### **1. Joint Venture with Equity Interest**

###### ***Community Center:***

The City is a participant with the Township of Sylvania in a joint venture to enhance the programs and services available to senior citizen residents in the City and the Township. The City and the Township have agreed to jointly pay to construct a community center under the authority of Ohio Revised Code Section 173.11. The original agreement is for the City to bear (40) percent of the construction costs and the Township to bear (60) percent of the construction costs, resulting in a 40/60 split in equity interest between the two. The community center is managed by Sylvania Community Services Center, Inc. (SCS), an Ohio nonprofit corporation. See Note 17 "Joint Venture."



## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **A. Reporting Entity** (Continued)

##### **2. Jointly Governed Organization**

##### ***Sylvania Area Joint Recreation District:***

The City in conjunction with the Sylvania Township Trustees and the Sylvania City School District formed the Sylvania Area Joint Recreation District (the "SAJRD") under the authority of Ohio Revised Code Section 755.14 (C). The SAJRD Board of Trustees is composed of twelve members, four of whom are appointed by each of the three separate governmental entities identified above. Funding for the SAJRD is provided by a voter approved tax levy on all real property located within Sylvania Township. Taxes are collected by the County Auditor and remitted to the SAJRD Board of Trustees. The SAJRD is fiscally independent of the City and the SAJRD's financial statements have not been included within the City's reporting entity.

##### **B. Basis of Presentation - Fund Accounting**

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

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

##### ***Governmental Funds***

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

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **B. Basis of Presentation - Fund Accounting (Continued)**

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

Police Pension Fund - This fund is used to account for taxes levied toward partial payment of current and accrued liability for police disability and pension.

City Services Fund - This fund is used to account for the revenues received from special assessments for tree repair and replacement, ditch maintenance and street lighting.

G.O. Debt Service Fund - This fund is used to account for the accumulation of resources for the payments of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Capital Improvement Fund - This fund is used to account for financial resources, primarily income taxes, to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

##### ***Proprietary Funds***

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Water Fund - This fund is used to account for the operation of the City's water service.

Sewer Fund - This fund is used to account for the operation of the City's sanitary sewer service.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has two internal service funds, the Self Insurance Fund, which is used to account for monies received from City departments to cover the cost of health care for employees of the City's departments and the Information Technology Fund, which is used to account for the costs of the City's information technology personnel along with the services provided by them to the City's various departments.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **B. Basis of Presentation - Fund Accounting** (Continued)

###### ***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on a full accrual basis of accounting. The City has one agency fund. The fund is the Municipal Court Fund, which accounts for monies that flow through the municipal court office.

##### **C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The internal service funds are eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation.

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

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

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

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **C. Basis of Presentation – Financial Statements (Continued)**

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

##### **D. 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. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **D. Basis of Accounting** (Continued)

are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Income taxes other than those withheld by employers, licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2011, but which are not intended to finance 2011 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses recognized when incurred. Government-Wide Statements are also prepared using the accrual basis of accounting.

##### **E. Budgetary Process**

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **E. Budgetary Process** (Continued)

###### **1. 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 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 previous year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

###### **2. 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 object 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 by the county budget commission. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. The Finance Director is authorized to transfer appropriations between objects of expenditure budgeted within the same function, so long as total appropriations for each function do not exceed the amount approved by Council. During the year, several supplemental appropriations were necessary to budget for capital improvements, vehicle purchases, community service programs, and various incidental expenditures. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund," in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual—Special Revenue Fund -Police Pension Fund" and in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual—Special Revenue Fund-City Services Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **E. Budgetary Process** (Continued)

##### **3. Encumbrances**

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

##### **4. 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.

##### **5. 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. On the budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

This space intentionally left blank.

---

---

**CITY OF SYLVANIA, OHIO**

---

---

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

---

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

**E. Budgetary Process** (Continued)

**5. Budgetary Basis of Accounting** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds:

	Net Change In Fund Balance		
	General Fund	Police Pension Fund	City Services Fund
GAAP Basis (as reported)	\$1,586	(\$5,879)	(\$32,723)
Increase (Decrease):			
Accrued Revenues at December 31, 2011 received during 2012	(1,353,448)	0	0
Accrued Revenues at December 31, 2010 received during 2011	1,429,259	0	0
Accrued Expenditures at December 31, 2011 paid during 2012	483,793	131,316	49,757
Accrued Expenditures at December 31, 2010 paid during 2011	(485,739)	(134,423)	(70,545)
2010 Prepaids for 2011	47,242	0	734
2011 Prepaids for 2012	(55,719)	0	(808)
Outstanding Encumbrances	(8,857)	0	0
Budget Basis	<u>\$58,117</u>	<u>(\$8,986)</u>	<u>(\$53,585)</u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), and investments with original maturities of less than three months. The STAR Ohio is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash. 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 maintained 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 5, "Cash, Cash Equivalents and Investments."



## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **G. 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 (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. During fiscal year 2011, investments were limited to Certificates of Deposit, STAR Ohio, United States Treasury Notes, Sylvania Township Notes and the Toledo Community Foundation, Inc. Mutual Funds. See Note 5, "Cash, Cash Equivalents and Investments."

Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$45,257, which includes \$38,777 assigned from other City funds.

The City has invested funds in the STAR Ohio during 2011. 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, 2011.

##### **H. 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 funds when purchased and as expenses in the proprietary funds when used.

##### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **J. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000, except for computer software which is capitalized if the purchase price, including license fees and installation, exceed \$50,000.

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”*, has been reported.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

##### **2. Property, Plant and Equipment – Business Type Activities**

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

---

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **J. Capital Assets and Depreciation** (Continued)

##### **3. Depreciation**

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

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	30
Improvements other than Buildings	20
Infrastructure	10-100
Machinery, Equipment, Furniture and Fixtures	5 - 20

##### **K. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	General Obligation Debt Service Fund
Promissory Note Payable	Capital Improvement Fund
Compensated Absences	General Fund
	Street Construction, Maintenance and Repair Fund
	Water Fund
	Sewer Fund
	Information Technology Fund

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **L. Compensated Absences**

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or under statute. Vacation earned in a calendar year must be used during the following year. Vacation time cannot carry over into the subsequent year, unless written permission is granted from the Mayor. At termination or retirement, employees are paid at their full rate for 100% of their unused vacation leave.

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 eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees expected to become eligible to receive such payments in the future.

For governmental funds, that portion of unpaid compensated absences that has matured and 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." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

##### **M. Net Assets**

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

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

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **N. Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the Council's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first (committed, assigned and unassigned), then unrestricted resources as they are needed. Within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **O. Pensions**

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

##### **P. Interfund Activity**

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

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

##### **Q. 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.

##### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

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

##### **S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

#### **NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Other long-term assets not available to pay for current-period expenditures:*

Delinquent Income Tax Revenue	\$461,133
Delinquent Property Tax Revenue	51,621
Shared Revenues	790,745
Interest Revenues	9,643
Special Assessment Revenue	658,912
	<hr/>
	\$1,972,054

*Long-Term liabilities not reported in the funds:*

General Obligation Bonds Payable	(\$23,120,000)
Promissory Notes Payable	(172,918)
Accrued Interest on Long-Term Debt	(67,025)
Compensated Absences Payable	(1,178,334)
	<hr/>
	(\$24,538,277)

This space intentionally left blank.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

##### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Amount by which capital outlay exceeded depreciation in the current period:*

Capital Outlay	\$3,032,522
Depreciation Expense	<u>(1,464,368)</u>
	\$1,568,154

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$131,109
Decrease in Delinquent Property Tax	(27,782)
Decrease in Shared Revenue	(34,647)
Decrease in Interest Revenue	(2,367)
Increase in Special Assessment Revenue	<u>70,769</u>
	\$137,082

*Expenses not requiring the use of current financial resources:*

Decrease in Compensated Absences Payable	\$55,671
Increase in supplies inventory	<u>159,815</u>
	\$215,486

*Net amount of long-term debt issuance and bond and lease principal payments:*

G.O. Bond Principal Payment	\$1,695,000
Long-Term Note Principal Payment	6,950,000
Promissory Note Principal Payment	36,841
G.O. Bond Proceeds	<u>(11,730,000)</u>
	(\$3,048,159)



# CITY OF SYLVANIA, OHIO

## *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2011*

### NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Police Pension Fund	City Services Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Principal	\$0	\$0	\$0	\$0	\$0	\$1,063	\$1,063
Prepaid Items	55,719	0	808	0	0	9,633	66,160
Supplies Inventory	419,216	0	0	0	0	271,485	690,701
Total Nonspendable	<u>474,935</u>	<u>0</u>	<u>808</u>	<u>0</u>	<u>0</u>	<u>282,181</u>	<u>757,924</u>
Restricted:							
Police Pension	0	323,929	0	0	0	0	323,929
City Services	0	0	109,708	0	0	0	109,708
Street Construction and Maintenance	0	0	0	0	0	161,289	161,289
City Permissive Tax	0	0	0	0	0	199,036	199,036
State Highway Improvement	0	0	0	0	0	110,037	110,037
Law Enforcement	0	0	0	0	0	248,056	248,056
Federal Equitable Sharing	0	0	0	0	0	69,282	69,282
Highway Safety	0	0	0	0	0	117	117
Indigent Support	0	0	0	0	0	39,974	39,974
Court Capital Improvement	0	0	0	0	0	68,344	68,344
Special Assessment Debt Service Payments	0	0	0	0	0	23,933	23,933
Total Restricted	<u>0</u>	<u>323,929</u>	<u>109,708</u>	<u>0</u>	<u>0</u>	<u>920,068</u>	<u>1,353,705</u>
Committed:							
Capital Improvements	0	0	0	0	14,128,621	0	14,128,621
War Memorial	0	0	0	0	0	150	150
Parks/Recreation	0	0	0	0	0	41,812	41,812
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,128,621</u>	<u>41,962</u>	<u>14,170,583</u>
Assigned	8,857	0	0	28,454	0	151,637	188,948
Unassigned	4,349,656	0	0	0	0	0	4,349,656
Total Fund Balances	<u>\$4,833,448</u>	<u>\$323,929</u>	<u>\$110,516</u>	<u>\$28,454</u>	<u>\$14,128,621</u>	<u>\$1,395,848</u>	<u>\$20,820,816</u>

## ***CITY OF SYLVANIA, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

#### **NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS**

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”.

Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions. While the application of this new standard did not have an effect on total prior year fund balances, it did result in the reclassification of funds as detailed below:

	General Fund	Police Pension Fund	Income Tax Fund	City Services Fund	General Obligation Debt Service Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance/Net Assets at December 31, 20011	\$4,050,229	\$329,808	\$722,940	\$143,239	\$136,133	\$14,726,672	\$1,471,686	\$21,580,707
Fund Reclassification	734,364	0	(722,940)	0	0	0	(11,424)	0
Net Assets, as restated	<u>\$4,784,593</u>	<u>\$329,808</u>	<u>\$0</u>	<u>\$143,239</u>	<u>\$136,133</u>	<u>\$14,726,672</u>	<u>\$1,460,262</u>	<u>\$21,580,707</u>

#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the City into three categories:

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

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

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

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

#### **A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

# CITY OF SYLVANIA, OHIO

## *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

### NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### **A. Deposits** (Continued)

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured.

At year end the carrying amount of the City's deposits was \$4,489,930 and the bank balance was \$4,739,702. Federal depository insurance covered \$1,000,000 of the bank balance and \$3,739,702 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$3,739,702</u>
Total Balance	<u><u>\$3,739,702</u></u>

#### **B. Investments**

The City's investments at December 31, 2011 are summarized below:

		Investment Maturities (in Years)			Greater
	Fair Value	less than 1	1-3	3-5	Than 5
Toledo Community Foundation, Inc. (mutual fund)	\$41,237	\$41,237	\$0	\$0	\$0
STAR Ohio	76,862	76,862	0	0	0
Sylvania Township Bonds	735,000	55,000	115,000	125,000	440,000
FNMA	7,877,074	0	4,314,489	3,562,585	0
FHLMC	6,817,895	501,045	3,315,460	3,001,390	0
FHLB	3,987,782	1,315,168	2,172,424	500,190	0
U.S. Treasury Notes	458,312	0	458,312	0	0
Total Investments	<u>\$19,994,162</u>	<u>\$1,989,312</u>	<u>\$10,375,685</u>	<u>\$7,189,165</u>	<u>\$440,000</u>

*Interest Rate Risk* – The City's policy states that all investments must mature within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the City and is specifically approved by the Treasury Investment Board. Notwithstanding this limitation, in no case will the City funds be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **B. Investments** (Continued)

*Credit Risk* – The City's investments in FNMA, FHLMC and FHLB securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard and Poor's has assigned Star Ohio an AAA money market rating.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in FNMA, FHLMC and FHLB securities in the amounts of \$7,877,074, \$6,817,895 and \$3,987,782, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name. The City has no investment policy dealing with investments' custodial risk beyond the requirement in State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk* – Of the City's investments, 39.4% are FNMA, 34.1% are FHLMC and 19.9% are FHLB. The City's policy states the portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or specific type of security. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security type is as follows:

• U.S. Treasury	100% Maximum
• Federal Agency	100% Maximum
• Repurchase Agreements	20% Maximum
• Commercial Paper and Bankers Acceptances Combined	25% Maximum
• Certificates of Deposits	25% Maximum
• Municipal Obligations	10% Maximum
• Star Ohio	50% Maximum

The City's portfolio will be further diversified to limit the exposure to any one issuer. No more than 5% of the City's total portfolio will be invested in the securities of any single issuer with the following exceptions:

• U.S. Government Obligations	100% Maximum
• Federal Agency Obligations	100% Maximum
• Star Ohio	100% Maximum

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 6 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2007 and the equalization adjustment was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due in January; the remainder is payable by July.

Tangible personal property tax revenues received in 2011 (other than public utility property) represent the collection of 2011 taxes. Tangible personal property taxes received in 2011 were levied after October 1, 2010, on the true value as of January 1, 2010. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax has been phased out. This percentage was reduced to 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Sylvania. 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, 2011 was \$5.10 per \$1,000 of assessed value. The assessed value upon which the 2011 receipts were based was \$434,572,210. This amount constitutes \$430,727,220 in real property assessed value and \$3,844,990 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .510% (5.10 mills) of assessed value.

## ***CITY OF SYLVANIA, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

#### **NOTE 6 - TAXES (Continued)**

##### **B. Income Tax**

The City levies a tax of 1.5% 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 7 - RECEIVABLES**

Receivables at December 31, 2011 consisted of taxes, intergovernmental receivables, special assessments, accounts receivable and interest.

#### **NOTE 8 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2011:

	Transfers In:						Total
	General Fund	City Services Fund	G.O. Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Resource Recovery Fund	
Transfers Out:							
General Fund	\$0	\$105,100	\$0	\$3,600,000	\$405,074	\$56,000	\$4,166,174
Capital Improvement Fund	4,100,000	0	1,110,601	0	0	0	5,210,601
Court Capital Improvement Fund	0	0	50,000	0	0	0	50,000
Water Fund	0	0	12,483	0	0	0	12,483
Sewer Fund	0	0	12,483	0	0	0	12,483
	<u>\$4,100,000</u>	<u>\$105,100</u>	<u>\$1,185,567</u>	<u>\$3,600,000</u>	<u>\$405,074</u>	<u>\$56,000</u>	<u>\$9,451,741</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Inactive funds are held in the Capital Improvement Fund and transferred to the General Fund for operations and to the Debt Service Fund for bond retirement as needed. Transfers from the Court Capital Improvement, Water Fund and Sewer Fund to the Debt Service Fund are to retire bonds issued for building construction that house these operations.

# CITY OF SYLVANIA, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

### NOTE 9 - CAPITAL ASSETS

#### A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2011:

##### *Historical Cost:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$9,814,071	\$53,810	\$0	\$9,867,881
Construction in Progress	444,645	563,903	(168,157)	840,391
<i>Capital assets being depreciated:</i>				
Land Improvements	1,711,744	0	0	1,711,744
Buildings	8,748,485	188,260	(10,922)	8,925,823
Machinery and Equipment	4,987,024	55,887	(58,557)	4,984,354
Infrastructure	28,382,344	2,170,662	(122,170)	30,430,836
Total Cost	<u>\$54,088,313</u>	<u>\$3,032,522</u>	<u>(\$359,806)</u>	<u>\$56,761,029</u>

##### *Accumulated Depreciation:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Land Improvements	(\$976,342)	(\$86,462)	\$0	(\$1,062,804)
Buildings	(4,098,372)	(259,593)	10,922	(4,347,043)
Machinery and Equipment	(3,220,080)	(438,279)	58,557	(3,599,802)
Infrastructure	(9,954,346)	(682,698)	52,355	(10,584,689)
Total Depreciation	<u>(\$18,249,140)</u>	<u>(\$1,467,032) *</u>	<u>\$121,834</u>	<u>(\$19,594,338)</u>
<i>Net Value:</i>	<u>\$35,839,173</u>			<u>\$37,166,691</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$61,615
Leisure Time Activities	95,223
Community Environment	4,350
Transportation	832,386
General Government	<u>470,794</u>
Total Depreciation Expense recorded within the Governmental Activities	1,464,368
Amount of Depreciation Expense recorded in the Internal Service Fund	<u>2,664</u>
Total Depreciation Expense	<u>\$1,467,032</u>



# CITY OF SYLVANIA, OHIO

## *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

### NOTE 9 - CAPITAL ASSETS (continued)

#### **B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2011:

*Historical Cost:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$0	\$629,265	\$0	\$629,265
<i>Capital assets being depreciated:</i>				
Buildings	619,633	0	0	619,633
Machinery and Equipment	1,301,098	69,114	(66,400)	1,303,812
Improvements	35,356,877	689,110	(93,651)	35,952,336
Total Cost	<u>\$37,277,608</u>	<u>\$1,387,489</u>	<u>(\$160,051)</u>	<u>\$38,505,046</u>

*Accumulated Depreciation:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings	(\$560,597)	(\$2,134)	\$0	(\$562,731)
Machinery and Equipment	(1,183,529)	(47,841)	66,400	(1,164,970)
Improvements	(18,039,290)	(674,106)	93,651	(18,619,745)
Total Depreciation	<u>(\$19,783,416)</u>	<u>(\$724,081)</u>	<u>\$160,051</u>	<u>(\$20,347,446)</u>
<i>Net Value:</i>	<u>\$17,494,192</u>			<u>\$18,157,600</u>

This space intentionally left blank.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS**

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

##### **A. Ohio Public Employees Retirement System ("OPERS")**

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

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

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$794,416, \$771,106 and \$775,624, respectively, which were equal to the required contributions for each year.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police was the portion used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$479,686, \$510,424 and \$500,149 for police, which were equal to the required contributions for each year.

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

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

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

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

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

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. Ohio Public Employees Retirement System ("OPERS") (Continued)**

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml> or writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

**Funding Policy** – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$226,976, \$279,985 and \$325,485, respectively, which were equal to the required contributions for each year.

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

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$166,045, \$176,685 and \$173,128 for police, which were equal to the required contributions for each year.

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 12 – COMPENSATED ABSENCES**

All City employees earn vacation at varying rates based upon length of service. Vacation time cannot be carried over from one year to the next without approval from the Mayor.

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.

At December 31, 2011, the City's accumulated, unpaid compensated absences amounted to \$1,522,276, of which \$1,250,947 is recorded as a liability of the Governmental Activities and \$271,329 is recorded as a liability of the Business-Type Activities.

This space intentionally left blank.

# ***CITY OF SYLVANIA, OHIO***

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

### **NOTE 13 - LONG-TERM DEBT**

Long-term debt and other long-term obligations of the City at December 31, 2011 were as follows:

		Balance December 31, 2010	Additions	(Reductions)	Balance December 31, 2011	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
7.000% Maintenance Building Bonds	1986	\$35,000	\$0	(\$35,000)	\$0	\$0
4.25-5.0% Street Improvement	1998	1,090,000	0	(1,090,000)	0	0
3.0-5.05% Senior Center/Field House	2002	520,000	0	(35,000)	485,000	35,000
3.5-4.55% Street Improvement	2004	4,020,000	0	(225,000)	3,795,000	235,000
3.5-4.00% Various Improvements	2008	7,420,000	0	(310,000)	7,110,000	320,000
2.00% Various Improvements	2011	0	8,095,000	0	8,095,000	415,000
3.00% Various Improvements	2011	0	3,635,000	0	3,635,000	150,000
Total General Obligation Bonds		13,085,000	11,730,000	(1,695,000)	23,120,000	1,155,000
Long-Term Note:						
1.250% Various Improvements	2010	6,950,000	0	(6,950,000)	0	0
Promissory Notes Payable:						
6.500% Howard Property	1995	209,759	0	(36,841)	172,918	39,235
Compensated Absences		1,295,964	1,250,947	(1,295,964)	1,250,947	140,187
Total Governmental Activities Long-Term Debt		<u>\$21,540,723</u>	<u>\$12,980,947</u>	<u>(\$9,977,805)</u>	<u>\$24,543,865</u>	<u>\$1,334,422</u>
<b>Business-Type Activities:</b>						
General Obligation Bond:						
3.000% Water Tower Bond	2011	\$0	\$3,060,000	\$0	\$3,060,000	\$125,000
Compensated Absences		\$286,234	\$271,329	(\$286,234)	\$271,329	\$20,935
Total Business-Type Long-Term Debt		<u>\$286,234</u>	<u>\$3,331,329</u>	<u>(\$286,234)</u>	<u>\$3,331,329</u>	<u>\$145,935</u>

#### Long-Term 2010 Various Improvements Note

The 2010 Various Improvement Note was issued on July 13, 2010 bearing a rate of 1.25%. The note was retired with a portion of refunding bonds issued on June 21, 2011 in the amount \$8,095,000.

This space intentionally left blank.

---

---

**CITY OF SYLVANIA, OHIO**

---

---

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

---

**NOTE 13 - LONG-TERM DEBT (Continued)**

**A. 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, 2011, follows:

Years	General Obligation Bonds		Promissory Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	1,280,000	892,378	39,235	11,240	\$1,319,235	\$903,618
2013	1,295,000	854,569	41,786	8,689	1,336,786	863,258
2014	1,335,000	818,616	44,502	5,973	1,379,502	824,589
2015	1,365,000	781,371	47,395	3,081	1,412,395	784,452
2016	1,395,000	738,347	0	0	1,395,000	738,347
2017-2021	7,105,000	3,034,909	0	0	7,105,000	3,034,909
2022-2026	7,050,000	1,784,339	0	0	7,050,000	1,784,339
2027-2031	5,355,000	575,648	0	0	5,355,000	575,648
Totals	<u>\$26,180,000</u>	<u>\$9,480,177</u>	<u>\$172,918</u>	<u>\$28,983</u>	<u>\$26,352,918</u>	<u>\$9,509,160</u>

**B. Defeasance of General Obligation Debt**

On May 25, 1995, the City sold Sylvania Pacesetter Park for \$1,465,710 to the Sylvania Area Joint Recreation District (SAJRD) to defease \$1,350,000 of outstanding bonds with an interest rate of 6.705%. The principal amount outstanding on the defeased bonds of \$125,000 was paid off during 2011. The entire amount of proceeds from the sale of Pacesetter Park was transferred to an irrevocable trust. The trustee was directed to hold \$44,410 in cash in the escrow fund and to use the remaining \$1,421,300 to purchase United States Treasury Securities - State and Local Government Series (SLGS). The cash deposit combined with anticipated earnings from the SLGS were determined to be sufficient to pay, when due, the remaining debt service payments. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

This space intentionally left blank.



## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 13 - LONG-TERM DEBT (Continued)**

##### **B. Defeasance of General Obligation Debt (Continued)**

On June 25, 2008, the City sold the Tam O'Shanter Sports Complex for \$3,839,598 to the Sylvania Area Joint Recreation District (SAJRD) to defease \$3,700,000 of outstanding bonds with interest rates ranging from 3.00% to 7.00%. The principal amount outstanding on the defeased bonds at December 31, 2011 was \$2,505,000. The entire amount of proceeds from the sale of the Tam O'Shanter Sports Complex was transferred to an irrevocable trust. The trustee was directed to use the \$3,839,598 to purchase United States Treasury Securities - State and Local Government Series (SLGS). The anticipated earnings from the SLGS were determined to be sufficient to pay, when due, the remaining debt service payments. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

##### **C. Refunded General Obligation Debt**

On July 7, 2011, the City refunded \$1,090,000 of outstanding bonds (the "1998 Bonds") with an interest rate of 4.25% with a portion of the \$8,095,000 refunding bonds issued in June 2011. The entire principal amount of the 1998 bonds was paid off during 2011. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$120,448.

#### **NOTE 14 - 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. The City has contracted with various private carriers for the provision of property damage, general liability, automotive damage, public officials liability, police liability, boiler and machinery damage/loss, umbrella liability, and crime and employee dishonesty. Deductible levels for the various policies have been selected so as not to expose the City to excessive "first dollars" loss in the case of a claim. Deductibles range between \$250 and \$1,000 per loss for property damage. In the professional liability areas, no deductible exceeds \$10,000.

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

## ***CITY OF SYLVANIA, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

#### **NOTE 14 - RISK MANAGEMENT (Continued)**

The City continues to carry commercial insurance for other risks of loss, including employee life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City maintains a self-funded health insurance program with claims processed by Paramount Care, Inc. A separate Self Insurance Fund (an internal service fund) was created in 2004 to account for and finance the health insurance program. As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$65,000 per individual per year. Settled claims have not exceeded the commercial coverage limits in either of the past two fiscal years.

All funds of the City from which employee salaries are paid, participate in the health insurance program and make payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions to the program during the year were \$1,854,178. The claims liability of \$299,500 reported in the Self Insurance Fund at December 31, 2011 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Management Omnibus," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and if the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2010 and 2011 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2010	\$311,500	\$1,930,901	(\$1,938,201)	\$304,200
2011	304,200	1,874,970	(1,879,670)	299,500

#### **NOTE 15 - CONSTRUCTION COMMITMENTS**

As of December 31, 2011, the City had the following commitment with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Sylvania River Trail	\$1,036,718	June 2012

## ***CITY OF SYLVANIA, OHIO***

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

---

#### **NOTE 16 - 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 17 - JOINT VENTURE**

**Community Center** - The City is a participant with the Township of Sylvania in a joint venture to enhance the programs and services available to senior citizen residents in the City and the Township. The City and the Township agreed to jointly pay to construct a community center under the authority of Ohio Revised Code Section 173.11. The original agreement required the City to bear (40) percent of the construction costs and the Township to bear (60) percent of the construction costs, resulting in a 40/60 split in equity interest between the two. The community center is managed by Sylvania Community Services Center, Inc. (SCS), an Ohio nonprofit corporation. During 2002 the City issued \$4,110,000 in General Obligation Bonds, \$740,000 of which were used to help in the construction of the community center. The City also donated \$334,000 worth of land towards the construction of the community center. The issuance of the general obligation bonds along with the donated land total \$1,074,000 worth of equity interest that the City has in the community center. In addition to the (40) percent equity interest that the City owns in the community center, the City also has an option to purchase on or after January 1, 2022, the Township's equity interest in the community center.

#### **NOTE 18 – SUBSEQUENT EVENTS**

On March 28, 2012, the City of Sylvania issued \$4,395,000 of Ohio Health Care Revenue bonds on behalf of the Rosery Care Center, an Ohio nonprofit corporation. The bonds are issued pursuant to a Trust Indenture between the City, Rosery Care Center, and Huntington National Bank. For financial reporting purposes, the bonds are considered “conduit” debt, and are not an obligation of the City of Sylvania. This transaction will have no material effect on the City's financial statements as of December 31, 2011.

On July 25, 2012, the City issued refunding bonds in the amount of \$3,650,000. These bonds were used to retire bonds previously issued during 2004, in the amount of \$5,300,000 for various improvements throughout the City and had a principal balance of \$3,795,000 as of December 31, 2011.



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

City of Sylvania  
Lucas County  
6730 Monroe Street  
Sylvania, Ohio 43560

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvania ("City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial

City of Sylvania  
Lucas County

reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings as finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the management of the City of Sylvania in a separate letter dated August 30, 2012.

The City of Sylvania's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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



August 30, 2012

**CITY OF SYLVANIA, OHIO  
SCHEDULE OF FINDINGS  
Year Ended December 31, 2011**

**Finding 2011-01**

**Significant Deficiency – Accounts Payable Adjustments**

Statement of Condition:	During our testing, we identified accounts payable totaling \$575,300 which were not recorded in the financial statements.
Criteria:	Proper recording of accounts payable is necessary for the accurate presentation of liabilities in the City's financial statements.
Effect of Condition:	This condition resulted in the understatement of the City's liabilities in its December 31, 2011 financial statements by \$575,300 and required audit adjustments to correct the understatement.
Cause of Condition:	An accurate accounts payable listing as of December 31, 2011 was not provided to the firm engaged to prepare the GAAP basis financial statements for the City.
Recommendation:	We recommend the Finance Director review the accounts payable listing prepared by the Administrative Assistant – Finance at year end for accuracy prior to it being submitted to the firm preparing the compiled GAAP basis financial statements.
Management Response:	The accounts payable adjustment would not have been a material amount except for one payment to Lucas County for the Maumee River Wastewater Treatment Plant that was out of the ordinary. To facilitate a timely completion of the financial statements, the accrual period for payables is normally 60 days. As in the past, we completed the Accounts Payable schedule through the end of February and sent it to our financial statement preparer. The invoice for the Maumee River Wastewater Treatment Plant was dated in March, and paid on March 28. We accept audit adjustments as a normal part of the financial statement process, but they typically aren't this large. In the future, we will look for these types of payments and make the adjustment before the audit.