



# Dave Yost • Auditor of State

City Council  
City of Sylvania  
6730 Monroe St.  
Sylvania, OH 43560

We have reviewed the *Independent Auditor's Report* of the City of Sylvania, Lucas County, prepared by Weber O'Brien Ltd., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 3, 2013



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund, Police Pension Fund and City Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sylvania's internal control over financial reporting and compliance.



August 29, 2013

**CITY OF SYLVANIA, OHIO**

**Statement of Net Position**  
**December 31, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 6,018,354	\$ 968,227	\$ 6,986,581
Investments	12,652,249	3,389,131	16,041,380
Receivables:			
Taxes	3,551,560	0	3,551,560
Accounts	264,861	447,275	712,136
Intergovernmental	982,321	0	982,321
Interest	9,402	2,433	11,835
Special Assessments	1,075,540	0	1,075,540
Internal Balances	27,020	(27,020)	0
Inventory of Supplies at Cost	508,031	209,018	717,049
Prepaid Items	69,310	21,822	91,132
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	9,867,881	1,248,404	11,116,285
Capital Assets Being Depreciated, Net	27,085,331	17,325,881	44,411,212
<b>Total Assets</b>	<b>63,186,923</b>	<b>23,585,171</b>	<b>86,772,094</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Loss on Debt Refunding	73,033	0	73,033
<b>Liabilities:</b>			
Accounts Payable	302,513	429,844	732,357
Accrued Wages and Benefits	466,814	47,775	514,589
Claims Payable	316,600	0	316,600
Accrued Interest Payable	56,932	7,964	64,896
Noncurrent liabilities:			
Due within one year	1,533,676	136,939	1,670,615
Due in more than one year	21,920,550	3,015,020	24,935,570
<b>Total Liabilities</b>	<b>24,597,085</b>	<b>3,637,542</b>	<b>28,234,627</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	2,018,426	0	2,018,426
<b>Net Position:</b>			
Net Investment in Capital Assets	14,779,529	15,639,285	30,418,814
Restricted For:			
Capital Projects	322,420	0	322,420
Debt Service	15,380	0	15,380
Other Purposes	1,939,711	0	1,939,711
Unrestricted	19,587,405	4,308,344	23,895,749
<b>Total Net Position</b>	<b>\$ 36,644,445</b>	<b>\$ 19,947,629</b>	<b>\$ 56,592,074</b>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2012**

	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	\$ 5,866,071	\$ 301,518	\$ 517,894	\$ 0
Public Health and Welfare Services	151,985	17,504	0	0
Leisure Time Activities	1,131,731	0	0	0
Community Environment	650,434	15,530	363,888	0
Basic Utility Services	1,158,760	446,114	363,888	0
Transportation	2,678,923	3,772	1,046,117	0
General Government	5,302,586	1,073,710	19,255	154,094
Interest and Fiscal Charges	851,241	0	0	0
<b>Total Governmental Activities</b>	<b>17,791,731</b>	<b>1,858,148</b>	<b>2,311,042</b>	<b>154,094</b>
<b>Business-Type Activities:</b>				
Water	3,796,686	3,937,229	0	0
Sewer	2,213,379	2,236,763	0	0
Resource Recovery	159,496	64,629	0	0
<b>Total Business-Type Activities</b>	<b>6,169,561</b>	<b>6,238,621</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 23,961,292</b>	<b>\$ 8,096,769</b>	<b>\$ 2,311,042</b>	<b>\$ 154,094</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 Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (5,046,659)	\$ 0	\$ (5,046,659)
(134,481)	0	(134,481)
(1,131,731)	0	(1,131,731)
(271,016)	0	(271,016)
(348,758)	0	(348,758)
(1,629,034)	0	(1,629,034)
(4,055,527)	0	(4,055,527)
(851,241)	0	(851,241)
(13,468,447)	0	(13,468,447)
0	140,543	140,543
0	23,384	23,384
0	(94,867)	(94,867)
0	69,060	69,060
(13,468,447)	69,060	(13,399,387)
1,894,549	0	1,894,549
8,924,523	0	8,924,523
2,055,483	0	2,055,483
196,153	43,521	239,674
524,398	0	524,398
28,000	(28,000)	0
13,623,106	15,521	13,638,627
154,659	84,581	239,240
36,489,786	19,863,048	56,352,834
\$ 36,644,445	\$ 19,947,629	\$ 56,592,074

**CITY OF SYLVANIA, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2012**

	General	Police Pension	City Services
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,106,255	\$ 476,270	\$ 223,660
Investments	3,860,296	0	0
Receivables:			
Taxes	2,251,290	445,022	0
Accounts	243,075	0	0
Intergovernmental	396,952	26,570	0
Interest	2,771	0	0
Special Assessments	0	0	928,409
Inventory of Supplies, at Cost	386,649	0	0
Prepaid Items	57,661	0	694
Restricted Assets:			
Cash and Cash Equivalents	0	0	0
<b>Total Assets</b>	<u>\$ 8,304,949</u>	<u>\$ 947,862</u>	<u>\$ 1,152,763</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 231,674	\$ 0	\$ 25,980
Accrued Wages and Benefits Payable	294,424	112,104	5,863
Compensated Absences Payable	174,256	0	0
<b>Total Liabilities</b>	<u>700,354</u>	<u>112,104</u>	<u>31,843</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	745,423	35,820	928,409
Property Tax for Next Fiscal Year	988,420	435,772	0
<b>Total Deferred Inflows of Resources</b>	<u>1,733,843</u>	<u>471,592</u>	<u>928,409</u>
<b>Fund Balances:</b>			
Nonspendable	444,310	0	694
Restricted	0	364,166	191,817
Committed	0	0	0
Assigned	19,408	0	0
Unassigned	5,407,034	0	0
<b>Total Fund Balances</b>	<u>5,870,752</u>	<u>364,166</u>	<u>192,511</u>
<b>Total Liabilities, Deferred Inflows of Resources</b>			
<b>and Fund Balances</b>	<u>\$ 8,304,949</u>	<u>\$ 947,862</u>	<u>\$ 1,152,763</u>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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G.O. Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 277,426	\$ 2,453,794	\$ 1,286,789	\$ 5,824,194
0	8,744,740	47,213	12,652,249
606,847	248,401	0	3,551,560
0	2,391	12,352	257,818
35,766	0	523,033	982,321
0	6,278	353	9,402
0	146,935	196	1,075,540
0	0	121,382	508,031
0	0	9,720	68,075
0	0	1,063	1,063
<u>\$ 920,039</u>	<u>\$ 11,602,539</u>	<u>\$ 2,002,101</u>	<u>\$ 24,930,253</u>
\$ 0	\$ 18,737	\$ 20,685	\$ 297,076
0	0	46,481	458,872
0	0	3,628	177,884
<u>0</u>	<u>18,737</u>	<u>70,794</u>	<u>933,832</u>
48,379	254,275	355,376	2,367,682
594,234	0	0	2,018,426
<u>642,613</u>	<u>254,275</u>	<u>355,376</u>	<u>4,386,108</u>
0	0	132,165	577,169
0	0	1,241,289	1,797,272
0	11,329,527	47,716	11,377,243
277,426	0	154,761	451,595
0	0	0	5,407,034
<u>277,426</u>	<u>11,329,527</u>	<u>1,575,931</u>	<u>19,610,313</u>
<u>\$ 920,039</u>	<u>\$ 11,602,539</u>	<u>\$ 2,002,101</u>	<u>\$ 24,930,253</u>

**CITY OF SYLVANIA, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Position Of Governmental Activities  
December 31, 2012***

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<b>Total Governmental Fund Balances</b>	\$ 19,610,313
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	36,953,212
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 position.	1,074,000
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable resources in the funds.	2,367,682
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 position.	(131,407)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(23,229,355)
<b><i>Net Position of Governmental Funds</i></b>	<u><u>\$ 36,644,445</u></u>

See accompanying notes to the basic financial statements

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## CITY OF SYLVANIA, OHIO

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2012

	General	Police Pension	City Services
<b>Revenues:</b>			
Property Taxes	\$ 931,601	\$ 461,145	\$ 0
Municipal Income Taxes	7,316,027	0	0
Intergovernmental Revenues	1,684,118	64,335	0
Charges for Services	509,189	0	0
Licenses, Permits and Fees	338,589	0	0
Investment Earnings	56,931	0	0
Special Assessments	0	0	882,732
Fines and Forfeitures	840,396	0	0
All Other Revenue	278,181	0	300
<b>Total Revenue</b>	11,955,032	525,480	883,032
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	4,577,423	485,243	334,103
Public Health and Welfare Services	143,941	0	0
Leisure Time Activities	934,408	0	0
Community Environment	390,019	0	228,163
Basic Utility Services	732,074	0	363,771
Transportation	198,205	0	0
General Government	4,604,710	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest & Fiscal Charges	0	0	0
<b>Total Expenditures</b>	11,580,780	485,243	926,037
Excess (Deficiency) of Revenues			
Over Expenditures	374,252	40,237	(43,005)
<b>Other Financing Sources (Uses):</b>			
Premium on General Obligation Bonds Issued	0	0	0
General Obligation Bonds Issued	0	0	0
Transfers In	5,080,000	0	125,000
Transfers Out	(4,384,381)	0	0
Payments to Refunding Bond Escrow Agent	0	0	0
<b>Total Other Financing Sources (Uses)</b>	695,619	0	125,000
Net Change in Fund Balances	1,069,871	40,237	81,995
<b>Fund Balances at Beginning of Year</b>	4,833,448	323,929	110,516
Decrease in Inventory Reserve	(32,567)	0	0
<b>Fund Balances End of Year</b>	\$ 5,870,752	\$ 364,166	\$ 192,511

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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G.O. Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 510,655	\$ 0	\$ 0	\$ 1,903,401
0	1,463,274	0	8,779,301
79,217	445,718	1,094,122	3,367,510
0	0	0	509,189
0	0	0	338,589
0	134,062	5,754	196,747
0	16,063	0	898,795
0	0	188,602	1,028,998
9,353	154,094	58,305	500,233
<u>599,225</u>	<u>2,213,211</u>	<u>1,346,783</u>	<u>17,522,763</u>
0	0	59,399	5,456,168
0	0	0	143,941
0	0	0	934,408
0	0	8,643	626,825
0	0	0	1,095,845
0	0	1,474,385	1,672,590
8,492	0	72,449	4,685,651
0	1,945,515	53,102	1,998,617
1,170,000	39,235	0	1,209,235
850,094	11,240	0	861,334
<u>2,028,586</u>	<u>1,995,990</u>	<u>1,667,978</u>	<u>18,684,614</u>
(1,429,361)	217,221	(321,195)	(1,161,851)
89,051	0	0	89,051
3,650,000	0	0	3,650,000
1,572,315	3,586,000	701,381	11,064,696
0	(6,602,315)	(50,000)	(11,036,696)
<u>(3,633,033)</u>	<u>0</u>	<u>0</u>	<u>(3,633,033)</u>
<u>1,678,333</u>	<u>(3,016,315)</u>	<u>651,381</u>	<u>134,018</u>
248,972	(2,799,094)	330,186	(1,027,833)
28,454	14,128,621	1,395,848	20,820,816
0	0	(150,103)	(182,670)
<u>\$ 277,426</u>	<u>\$ 11,329,527</u>	<u>\$ 1,575,931</u>	<u>\$ 19,610,313</u>

## CITY OF SYLVANIA, OHIO

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### ***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, 2012***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,027,833)

***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 depreciation exceeded capital outlay in the current period. (210,815)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 395,627

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 position. 1,103,217

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 10,093

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. 12,941

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. (128,571)

***Change in Net Position of Governmental Activities*** \$ 154,659

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 932,000	\$ 932,000	\$ 931,601	\$ (399)
Municipal Income Taxes	7,250,000	7,250,000	7,409,517	159,517
Intergovernmental Revenue	1,188,500	1,188,500	1,778,216	589,716
Charges for Services	540,400	540,400	508,738	(31,662)
Licenses, Permits and Fees	278,800	278,800	332,112	53,312
Investment Earnings	50,000	50,000	55,089	5,089
Fines and Forfeitures	981,250	981,250	850,405	(130,845)
All Other Revenues	222,000	222,000	282,815	60,815
Total Revenues	<u>11,442,950</u>	<u>11,442,950</u>	<u>12,148,493</u>	<u>705,543</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,981,105	4,974,030	4,534,011	440,019
Public Health and Welfare Services	137,300	137,300	128,024	9,276
Leisure Time Activities	957,908	934,908	916,698	18,210
Community Environment	361,269	366,269	363,889	2,380
Basic Utility Services	796,700	796,700	756,749	39,951
Transportation	298,600	256,600	206,873	49,727
General Government	4,686,232	4,916,732	4,479,325	437,407
Total Expenditures	<u>12,219,114</u>	<u>12,382,539</u>	<u>11,385,569</u>	<u>996,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(776,164)	(939,589)	762,924	1,702,513
<b>Other Financing Sources (Uses):</b>				
Transfers In	5,330,000	5,330,000	5,080,000	(250,000)
Transfers Out	(4,548,100)	(4,388,100)	(4,384,381)	3,719
Total Other Financing Sources (Uses):	<u>781,900</u>	<u>941,900</u>	<u>695,619</u>	<u>(246,281)</u>
Net Change In Fund Balance	5,736	2,311	1,458,543	1,456,232
Fund Balance at Beginning of Year	3,480,001	3,480,001	3,480,001	0
Prior Year Encumbrances	8,857	8,857	8,857	0
Fund Balance at End of Year	<u>\$ 3,494,594</u>	<u>\$ 3,491,169</u>	<u>\$ 4,947,401</u>	<u>\$ 1,456,232</u>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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**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, 2012**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 400,000	\$ 400,000	\$ 461,145	\$ 61,145
Intergovernmental Revenue	<u>67,000</u>	<u>67,000</u>	<u>64,335</u>	<u>(2,665)</u>
Total Revenues	<u>467,000</u>	<u>467,000</u>	<u>525,480</u>	<u>58,480</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	<u>516,200</u>	<u>516,200</u>	<u>504,455</u>	<u>11,745</u>
Total Expenditures	<u>516,200</u>	<u>516,200</u>	<u>504,455</u>	<u>11,745</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,200)	(49,200)	21,025	70,225
Fund Balance at Beginning of Year	<u>455,245</u>	<u>455,245</u>	<u>455,245</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 406,045</u>	<u>\$ 406,045</u>	<u>\$ 476,270</u>	<u>\$ 70,225</u>

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Special Assessments	\$ 866,050	\$ 866,050	\$ 882,732	\$ 16,682
All Other Revenues	0	0	300	300
Total Revenues	866,050	866,050	883,032	16,982
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	390,300	390,300	344,627	45,673
Community Environment	287,800	287,800	235,162	52,638
Basic Utility Services	358,450	482,450	470,618	11,832
Total Expenditures	1,036,550	1,160,550	1,050,407	110,143
Excess (Deficiency) of Revenues Over (Under) Expenditures	(170,500)	(294,500)	(167,375)	127,125
<b>Other Financing Sources (Uses):</b>				
Transfers In	125,000	125,000	125,000	0
Total Other Financing Sources (Uses):	125,000	125,000	125,000	0
Net Change In Fund Balance	(45,500)	(169,500)	(42,375)	127,125
Fund Balance at Beginning of Year	159,465	159,465	159,465	0
Fund Balance at End of Year	\$ 113,965	\$ (10,035)	\$ 117,090	\$ 127,125

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Net Position  
Proprietary Funds  
December 31, 2012**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 634,225	\$ 316,773	\$ 17,229
Investments	2,260,227	1,128,904	0
Accounts Receivable	280,733	166,542	0
Interest Receivable	1,623	810	0
Inventory of Supplies at Cost	149,474	59,544	0
Prepaid Items	11,999	9,293	530
Total current assets	3,338,281	1,681,866	17,759
Noncurrent assets:			
Capital assets:			
Property, Plant and Equipment	12,925,507	25,279,298	164,233
Construction in Progress	1,248,404	0	0
Less accumulated depreciation	(5,998,610)	(14,880,314)	(164,233)
Total capital assets (net of accumulated depr)	8,175,301	10,398,984	0
Total noncurrent assets	8,175,301	10,398,984	0
Total assets	11,513,582	12,080,850	17,759
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	279,747	148,082	2,015
Accrued Wages and Benefits	28,652	18,707	416
Claims Payable	0	0	0
Accrued Interest Payable	7,964	0	0
General Obligation Bonds Payable - Current	125,000	0	0
Total Current Liabilities	441,363	166,789	2,431
Noncurrent Liabilities:			
General Obligation Bonds Payable	2,810,000	0	0
Compensated Absences Payable	129,170	87,789	0
Total noncurrent liabilities	2,939,170	87,789	0
Total Liabilities	3,380,533	254,578	2,431
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,240,301	10,398,984	0
Unrestricted	2,892,748	1,427,288	15,328
Total Net Position	\$ 8,133,049	\$ 11,826,272	\$ 15,328

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

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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Total	Governmental Activities Internal Service Funds
\$ 968,227	\$ 194,160
3,389,131	0
447,275	7,043
2,433	0
209,018	0
21,822	1,235
5,037,906	202,438
38,369,038	15,985
1,248,404	0
(21,043,157)	(15,985)
18,574,285	0
18,574,285	0
23,612,191	202,438
429,844	5,437
47,775	7,942
0	316,600
7,964	0
125,000	0
610,583	329,979
2,810,000	0
216,959	30,884
3,026,959	30,884
3,637,542	360,863
15,639,285	0
4,335,364	(158,425)
19,974,649	\$ (158,425)
(27,020)	
\$ 19,947,629	

**CITY OF SYLVANIA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2012**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<b>Operating Revenues:</b>			
Charges for Services	\$ 3,854,019	\$ 2,146,643	\$ 64,629
Other Operating Revenues	83,210	90,120	0
<b>Total Operating Revenues</b>	3,937,229	2,236,763	64,629
<b>Operating Expenses:</b>			
Personal Services	741,655	706,316	95,657
Materials and Supplies	91,905	66,896	8,794
Contractual Services	2,601,413	967,214	55,045
Depreciation	248,298	460,724	0
<b>Total Operating Expenses</b>	3,683,271	2,201,150	159,496
<b>Operating Income (Loss)</b>	253,958	35,613	(94,867)
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	31,481	12,040	0
Interest and Fiscal Charges	(99,225)	0	0
Other Nonoperating Revenue	0	0	0
<b>Total Non-Operating Revenues (Expenses)</b>	(67,744)	12,040	0
<b>Income (Loss) Before Transfers</b>	186,214	47,653	(94,867)
<b>Transfers:</b>			
Transfers In	0	0	97,000
Transfers Out	0	(125,000)	0
<b>Total Transfers</b>	0	(125,000)	97,000
<b>Change in Net Position</b>	186,214	(77,347)	2,133
Net Position Beginning of Year	7,946,835	11,903,619	13,195
<b>Net Position End of Year</b>	\$ 8,133,049	\$ 11,826,272	\$ 15,328

Change in Net Position - Total Enterprise Funds

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

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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		Governmental		
		Activities		
Total		Internal Service		
		Funds		
\$ 6,065,291	\$ 2,219,116			
173,330	0			
6,238,621	2,219,116			
1,543,628	1,870,591			
167,595	132,506			
3,623,672	403,815			
709,022	2,664			
6,043,917	2,409,576			
194,704	(190,460)			
43,521	0			
(99,225)	0			
0	35,470			
(55,704)	35,470			
139,000	(154,990)			
97,000	0			
(125,000)	0			
(28,000)	0			
111,000	(154,990)			
19,863,649	(3,435)			
19,974,649	\$ (158,425)			
111,000				
(26,419)				
\$ 84,581				

**CITY OF SYLVANIA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,930,317	\$2,310,429	\$64,629
Cash Payments for Goods and Services	(2,762,928)	(1,314,478)	(64,431)
Cash Payments to Employees	(804,758)	(702,478)	(95,805)
Net Cash Provided (Used) by Operating Activities	<u>362,631</u>	<u>293,473</u>	<u>(95,607)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	97,000
Transfers Out to Other Funds	0	(125,000)	0
Miscellaneous Nonoperating Revenue	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(125,000)</u>	<u>97,000</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(981,615)	(28,194)	0
Principal Paid on General Obligation Bonds	(125,000)	0	0
Interest Paid on All Debt	(99,538)	0	0
Net Cash Used for Capital and Related Financing Activities	<u>(1,206,153)</u>	<u>(28,194)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	1,183,829	73,082	0
Receipts of Interest	29,779	11,225	0
Net Cash Provided by Investing Activities	<u>1,213,608</u>	<u>84,307</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	370,086	224,586	1,393
Cash and Cash Equivalents at Beginning of Year	264,139	92,187	15,836
Cash and Cash Equivalents at End of Year	<u><u>\$634,225</u></u>	<u><u>\$316,773</u></u>	<u><u>\$17,229</u></u>

**CITY OF SYLVANIA, OHIO**

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Totals	Governmental Activities Internal Service Funds
\$6,305,375	\$2,219,116
(4,141,837)	(534,309)
(1,603,041)	(1,851,839)
<u>560,497</u>	<u>(167,032)</u>
97,000	0
(125,000)	0
0	168,253
<u>(28,000)</u>	<u>168,253</u>
(1,009,809)	0
(125,000)	0
(99,538)	0
<u>(1,234,347)</u>	<u>0</u>
1,256,911	0
41,004	0
<u>1,297,915</u>	<u>0</u>
596,065	1,221
372,162	192,939
<u>\$968,227</u>	<u>\$194,160</u>

(Continued)

**CITY OF SYLVANIA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$253,958	\$35,613	(\$94,867)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	248,298	460,724	0
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(6,912)	73,666	0
Increase in Inventory	(1,295)	(9,919)	0
Decrease in Prepaid Items	209	131	79
Increase (Decrease) in Accounts Payable	(67,763)	(270,510)	(671)
Increase (Decrease) in Accrued Wages and Benefits	(3,202)	(2,524)	(148)
Increase in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences	(60,662)	6,292	0
Total Adjustments	<u>108,673</u>	<u>257,860</u>	<u>(740)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$362,631</u>	<u>\$293,473</u>	<u>(\$95,607)</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2012, the Water Fund had outstanding liabilities of \$115,898 for the purchase of certain capital assets.

During 2012 the fair value of investments decreased by \$151 and \$75 in the Water and Sewer Funds respectively.

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$194,704	(\$190,460)
709,022	2,664
66,754	0
(11,214)	0
419	200
(338,944)	1,812
(5,874)	221
0	17,100
(54,370)	1,431
<u>365,793</u>	<u>23,428</u>
<u>\$560,497</u>	<u>(\$167,032)</u>

**CITY OF SYLVANIA, OHIO**

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**Statement of Fiduciary Net Position**  
**December 31, 2012**

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 75,036
<b>Total Assets</b>	<u>75,036</u>
<b>Liabilities:</b>	
Due to Others	<u>75,036</u>
<b>Total Liabilities</b>	<u>\$ 75,036</u>

See accompanying notes to the basic financial statements

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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, 2012 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

## *CITY OF SYLVANIA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### **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 deferred outflows of resources and all liabilities and deferred inflows of resources 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 total net position.

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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

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

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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 deferred outflows of resources and current liabilities and deferred inflows of resources, 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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 inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2012, but which are not intended to finance 2012 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 6.

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. Deferred Inflows/Outflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### **F. 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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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

##### **F. 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 2012.

###### 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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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

##### **F. 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.

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**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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

**F. 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)	\$1,069,871	\$40,237	\$81,995
Increase (Decrease):			
Accrued Revenues at December 31, 2012 received during 2013	(1,159,987)	0	0
Accrued Revenues at December 31, 2011 received during 2012	1,353,448	0	0
Accrued Expenditures at December 31, 2012 paid during 2013	700,354	112,104	31,843
Accrued Expenditures at December 31, 2011 paid during 2012	(483,793)	(131,316)	(49,757)
2011 Prepays for 2012	55,719	0	808
2012 Prepays for 2013	(57,661)	0	(694)
Outstanding			
Encumbrances	(19,408)	0	(106,570)
Budget Basis	\$1,458,543	\$21,025	(\$42,375)

**G. 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

##### **H. 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 2012 amounted to \$56,931, which includes \$44,635 assigned from other City funds.

The City has invested funds in the STAR Ohio during 2012. 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, 2012.

##### **I. 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.

##### **J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

##### **K. 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 Position, 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 Position and in the respective funds.

**CITY OF SYLVANIA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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

**K. 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:

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

**L. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

##### **M. 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 position, "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.

##### **N. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflow of resources. Net investment 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 position is 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 position is available.

## *CITY OF SYLVANIA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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

##### **O. 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 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) 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

##### **P. Pensions**

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

##### **Q. 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.

##### **R. 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.

##### **S. 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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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

**T. 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 2012.

**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 position**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental funds as reported in the government-wide statement of net position. 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	\$606,355
Delinquent Property Tax Revenue	42,770
Shared Revenues	633,969
Interest Revenues	9,049
Special Assessment Revenue	1,075,539
	<hr/>
	\$2,367,682

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

General Obligation Bonds Payable	(\$22,129,051)
Promissory Notes Payable	(133,683)
Accrued Interest on Long-Term Debt	(56,932)
Deferred Loss on Debt Refunding	73,033
Compensated Absences Payable	(982,722)
	<hr/>
	(\$23,229,355)

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**CITY OF SYLVANIA, OHIO**

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**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2012**

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**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 position 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 depreciation exceeded capital outlay in the current period:*

Capital Outlay	\$1,336,361
Depreciation Expense	(1,547,176)
	<u>(\$210,815)</u>

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$145,222
Decrease in Delinquent Property Tax	(8,852)
Decrease in Shared Revenue	(156,776)
Decrease in Interest Revenue	(594)
Increase in Special Assessment Revenue	416,627
	<u>\$395,627</u>

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

Decrease in Compensated Absences Payable	\$195,611
Decrease in supplies inventory	(182,670)
	<u>\$12,941</u>

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

G.O. Bond Principal Payment	\$4,730,000
Deferred Loss on Debt Refunding	73,033
Promissory Note Principal Payment	39,235
Premium on Bonds Issued	(89,051)
G.O. Bond Proceeds	(3,650,000)
	<u>\$1,103,217</u>

## CITY OF SYLVANIA, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

#### 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	57,661	0	694	0	0	9,720	68,075
Supplies Inventory	386,649	0	0	0	0	121,382	508,031
Total Nonspendable	<u>444,310</u>	<u>0</u>	<u>694</u>	<u>0</u>	<u>0</u>	<u>132,165</u>	<u>577,169</u>
Restricted:							
Police Pension	0	364,166	0	0	0	0	364,166
City Services	0	0	191,817	0	0	0	191,817
Street Construction and Maintenance	0	0	0	0	0	365,653	365,653
City Permissive Tax	0	0	0	0	0	238,047	238,047
State Highway Improvement	0	0	0	0	0	142,740	142,740
Law Enforcement	0	0	0	0	0	270,766	270,766
Federal Equitable Sharing	0	0	0	0	0	98,092	98,092
Highway Safety	0	0	0	0	0	132	132
Indigent Support	0	0	0	0	0	33,781	33,781
Court Capital Improvement	0	0	0	0	0	68,145	68,145
Special Assessment Debt Service Payments	0	0	0	0	0	23,933	23,933
Total Restricted	<u>0</u>	<u>364,166</u>	<u>191,817</u>	<u>0</u>	<u>0</u>	<u>1,241,289</u>	<u>1,797,272</u>
Committed:							
Capital Improvements	0	0	0	0	11,329,527	0	11,329,527
War Memorial	0	0	0	0	0	150	150
Parks/Recreation	0	0	0	0	0	47,566	47,566
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,329,527</u>	<u>47,716</u>	<u>11,377,243</u>
Assigned	19,408	0	0	277,426	0	154,761	451,595
Unassigned	5,407,034	0	0	0	0	0	5,407,034
Total Fund Balances	<u>\$5,870,752</u>	<u>\$364,166</u>	<u>\$192,511</u>	<u>\$277,426</u>	<u>\$11,329,527</u>	<u>\$1,575,931</u>	<u>\$19,610,313</u>

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2012 the City implemented GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*” GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

#### **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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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, 2012**

**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 \$7,985,759 and the bank balance was \$8,175,890. Federal depository insurance covered \$1,000,000 of the bank balance and \$7,175,890 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	\$7,175,890
Total Balance	\$7,175,890

**B. Investments**

The City's investments at December 31, 2012 are summarized below:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Greater Than 5</u>
		<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>	
Toledo Community Foundation, Inc. (mutual fund)	\$47,213	\$47,213	\$0	\$0	\$0
STAR Ohio	76,921	76,921	0	0	0
Sylvania Township Bonds	680,000	55,000	120,000	130,000	375,000
FNMA	9,005,691	0	2,907,891	6,097,800	0
FHLMC	2,774,630	0	2,774,630	0	0
FHLB	1,765,182	1,256,512	508,670	0	0
FFCB	315,624	0	315,624	0	0
U.S. Treasury Notes	453,040	453,040	0	0	0
Total Investments	\$15,118,301	\$1,888,686	\$6,626,815	\$6,227,800	\$375,000

*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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

*Credit Risk* – The City’s investments in FNMA, FHLMC, FHLB and FFCB 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, FHLB and FFCB securities in the amounts of \$9,005,691, \$2,774,630, \$1,765,182 and \$315,624, 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, 59.5% are FNMA, 18.3% are FHLMC, 11.6% are FHLB and 2% are FFCB. 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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### **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 2012 were levied after October 1, 2011 on assessed values as of January 1, 2011, 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.

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, 2012 was \$5.10 per \$1,000 of assessed value. The assessed value upon which the 2012 receipts were based was \$428,536,760. This amount constitutes \$424,438,390 in real property assessed value and \$4,098,370 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, 2012**

**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, 2012 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 2012:

Transfers Out:	Transfers In:						Total
	General Fund	City Services Fund	G.O. Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Resource Recovery Fund	
General Fund	\$0	\$0	\$0	\$3,586,000	\$701,381	\$97,000	\$4,384,381
Capital Improvement Fund	5,080,000	0	1,522,315	0	0	0	6,602,315
Court Capital Improvement Fund	0	0	50,000	0	0	0	50,000
Sewer Fund	0	125,000	0	0	0	0	125,000
	<u>\$5,080,000</u>	<u>\$125,000</u>	<u>\$1,572,315</u>	<u>\$3,586,000</u>	<u>\$701,381</u>	<u>\$97,000</u>	<u>\$11,161,696</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 and Capital Improvement Fund to the Debt Service Fund are to retire bonds issued for building construction that house these operations. Transfers from the Sewer Fund to the City Services Fund are to support ditch and drain maintenance performed by that fund.

**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Capital assets not being depreciated:</i>				
Land	\$9,867,881	\$0	\$0	\$9,867,881
Construction in Progress	840,391	0	(840,391)	0
<i>Capital assets being depreciated:</i>				
Land Improvements	1,711,744	1,637,316	0	3,349,060
Buildings	8,925,823	190,383	0	9,116,206
Machinery and Equipment	4,984,354	202,473	(133,852)	5,052,975
Infrastructure	30,430,836	146,580	0	30,577,416
Total Cost	<u>\$56,761,029</u>	<u>\$2,176,752</u>	<u>(\$974,243)</u>	<u>\$57,963,538</u>

*Accumulated Depreciation:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Land Improvements	(\$1,062,804)	(\$121,455)	\$0	(\$1,184,259)
Buildings	(4,347,043)	(265,904)	0	(4,612,947)
Machinery and Equipment	(3,599,802)	(417,379)	133,852	(3,883,329)
Infrastructure	(10,584,689)	(745,102)	0	(11,329,791)
Total Depreciation	<u>(\$19,594,338)</u>	<u>(\$1,549,840) *</u>	<u>\$133,852</u>	<u>(\$21,010,326)</u>
<i>Net Value:</i>	<u>\$37,166,691</u>			<u>\$36,953,212</u>

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

Security of Persons and Property	\$59,747
Leisure Time Activities	92,336
Community Environment	4,218
Transportation	934,357
General Government	<u>456,518</u>
Total Depreciation Expense recorded within the Governmental Activities	1,547,176
Amount of Depreciation Expense recorded in the Internal Service Fund	<u>2,664</u>
Total Depreciation Expense	<u>\$1,549,840</u>

**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 9 - CAPITAL ASSETS (continued)**

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

Summary by Category at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$629,265	\$1,080,247	(\$461,108)	\$1,248,404
<i>Capital assets being depreciated:</i>				
Buildings	619,633	0	0	619,633
Machinery and Equipment	1,303,812	45,460	(13,311)	1,335,961
Improvements	35,952,336	461,108	0	36,413,444
Total Cost	<u>\$38,505,046</u>	<u>\$1,586,815</u>	<u>(\$474,419)</u>	<u>\$39,617,442</u>

*Accumulated Depreciation:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings	(\$562,731)	(\$2,134)	\$0	(\$564,865)
Machinery and Equipment	(1,164,970)	(23,011)	13,311	(1,174,670)
Improvements	(18,619,745)	(683,877)	0	(19,303,622)
Total Depreciation	<u>(\$20,347,446)</u>	<u>(\$709,022)</u>	<u>\$13,311</u>	<u>(\$21,043,157)</u>
<i>Net Value:</i>	<u>\$18,157,600</u>			<u>\$18,574,285</u>

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## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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>, by making a written request 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 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 employer contribution rate for local government employer units was 14.0% 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 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's contributions for pension obligations to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$791,159, \$794,416 and \$771,106, respectively, which were equal to the required contributions for each year.

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

All City full-time police officers 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 2012, 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, 2012, 2011, and 2010 were \$478,894, \$479,686 and \$510,424 for police which was 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.

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request 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 2012, local government employers contributed at a rate of 14.0% 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. 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, 2012, 2011, and 2010 were \$226,045, \$226,976 and \$279,985, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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. The report is also available on OP&F’s website at [www.op-f.org](http://www.op-f.org).

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 administrated 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 2012, 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, 2012, 2011, and 2010 were \$165,771, \$166,045 and \$176,685 for police which was equal to the required contributions for each year.

***CITY OF SYLVANIA, OHIO***

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**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, 2012, the City's accumulated, unpaid compensated absences amounted to \$1,408,451, of which \$1,191,492 is recorded as a liability of the Governmental Activities and \$216,959 is recorded as a liability of the Business-Type Activities.

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**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 13 - LONG-TERM DEBT**

Long-term debt and other long-term obligations of the City at December 31, 2012 were as follows:

		Balance December 31, 2011	Additions	(Reductions)	Balance December 31, 2012	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
3.0-5.05% Senior Center/Field House	2002	\$485,000	\$0	(\$35,000)	\$450,000	\$35,000
3.5-4.55% Street Improvement	2004	3,795,000	0	(3,795,000)	0	0
3.5-4.00% Various Improvements	2008	7,110,000	0	(320,000)	6,790,000	325,000
2-4.00% Various Improvements	2011	8,095,000	0	(415,000)	7,680,000	420,000
3-4.00% Various Improvements	2011	3,635,000	0	(150,000)	3,485,000	150,000
2-2.125% Street Improvement	2012	0	3,650,000	(15,000)	3,635,000	295,000
Premium		0	89,051	0	89,051	7,421
Total General Obligation Bonds		23,120,000	3,739,051	(4,730,000)	22,129,051	1,232,421
Promissory Notes Payable:						
6.500% Howard Property	1995	172,918	0	(39,235)	133,683	41,786
Compensated Absences		1,250,947	1,191,492	(1,250,947)	1,191,492	259,469
Total Governmental Activities Long-Term Debt		<u>\$24,543,865</u>	<u>\$4,930,543</u>	<u>(\$6,020,182)</u>	<u>\$23,454,226</u>	<u>\$1,533,676</u>
<b>Business-Type Activities:</b>						
General Obligation Bond:						
2-4.00% Water Tower Bond	2011	\$3,060,000	\$0	(\$125,000)	\$2,935,000	\$125,000
Compensated Absences		\$271,329	\$216,959	(\$271,329)	\$216,959	\$11,939
Total Business-Type Long-Term Debt		<u>\$3,331,329</u>	<u>\$216,959</u>	<u>(\$396,329)</u>	<u>\$3,151,959</u>	<u>\$136,939</u>

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**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**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, 2012, follows:

Years	General Obligation Bonds		Promissory Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,350,000	778,754	41,786	8,689	\$1,391,786	\$787,443
2014	1,380,000	746,021	44,502	5,973	1,424,502	751,994
2015	1,405,000	712,376	47,395	3,081	1,452,395	715,457
2016	1,425,000	673,141	0	0	1,425,000	673,141
2017	1,465,000	633,230	0	0	1,465,000	633,230
2018-2022	7,130,000	2,591,527	0	0	7,130,000	2,591,527
2023-2027	6,790,000	1,495,445	0	0	6,790,000	1,495,445
2028-2031	4,030,000	369,140	0	0	4,030,000	369,140
Totals	\$24,975,000	\$7,999,634	\$133,683	\$17,743	\$25,108,683	\$8,017,377

**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 position.

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, 2012 was \$2,350,000. 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 position.

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

##### **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.

On July 25, 2012, the City refunded \$3,560,000 of outstanding bonds (the "2004 Bonds") with an interest rate of 3.625% with \$3,650,000 refunding bonds issued in July 2012. The entire principal amount of the 2004 bonds was paid off during 2012. 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 \$546,926.

#### **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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**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 \$170,000 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 \$1,769,116. The claims liability of \$316,600 reported in the Self Insurance Fund at December 31, 2012 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 2011 and 2012 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2011	\$304,200	\$1,874,970	(\$1,879,670)	\$299,500
2012	299,500	1,951,383	(1,934,283)	316,600

**NOTE 15 – LONG-TERM CONTRACTUAL COMMITMENTS**

As of December 31, 2012, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Commitment	Expected Date of Completion
Erie Street Bridge	\$12,026	2013
Resurfacing and Reconstruction	12,259	2013
Brint/McCord Improvements	11,000	2013
Salt Storage Facility	18,905	2013
Sewer Cleaner	319,709	2013
Police Vehicles	206,645	2013
2 MG Elevated Water Tank	1,879,891	2013
Total	<u>\$2,460,435</u>	

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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 - CONDUIT DEBT OBLIGATIONS**

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 were 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. As of December 31, 2012, the balance outstanding on the debt obligation is \$4,325,000.

**CITY OF SYLVANIA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 19 – LEASES**

The City owns various properties throughout the City that are leased to tenants. The following is a schedule of future minimum lease payments to be received under the non-cancelable operating leases at December 31, 2012.

<u>Year Ending December 31</u>	<u>Amount</u>
2013	\$32,934
2014	<u>7,320</u>
	<u><u>\$40,254</u></u>



INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 29, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City of Sylvania  
Lucas County

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 29, 2013.



August 29, 2013

CITY OF SYLVANIA, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2012

**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.

*Current Status:* Corrected.