

**CITY OF SYLVANIA  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**Mary Taylor, CPA**  
Auditor of State



**CITY OF SYLVANIA  
LUCAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Governmental Funds	
Balance Sheet - Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis): General Fund .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis): Police Pension Fund .....	24
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis): Income Tax Fund .....	25
Fund Financial Statements:	
Proprietary Funds	
Statement of Net Assets .....	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	27
Statement of Cash Flows .....	28
Fiduciary Fund	
Statement of Net Assets .....	29
Notes to the Basic Financial Statements .....	30
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	65
Schedule of Findings .....	67
Schedule of Prior Audit Findings .....	68

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Sylvania  
Lucas County  
6730 Monroe Street  
Sylvania, OH 43560-1948

To the City Council:

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, Lucas County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvania, Lucas County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Police Pension, and Income Tax funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 11, 2008

# CITY OF SYLVANIA, OHIO

---

*Management's Discussion and Analysis  
For the Year Ended December 31, 2007*

*Unaudited*

---

The discussion and analysis of the City of Sylvania's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

## FINANCIAL HIGHLIGHTS

Key financial highlights for 2007 are as follows:

- ❑ In total, net assets decreased \$2,028,767. Net assets of governmental activities decreased \$1,110,522, which represents a 2.2% decrease from 2006. Net assets of business-type activities decreased \$918,245 from 2006.
- ❑ General revenues accounted for \$14 million in revenue or 60% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 40% of total revenues of \$23.2 million.
- ❑ The City had \$18.8 million in expenses related to governmental activities; only \$3.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13.8 million provided for these programs.
- ❑ Among major funds, the general fund had \$10.1 million in revenues which included transfers in from other funds in the amount of \$3.6 million. The general fund had \$10.4 million in expenditures including \$275,004 in transfers out to other funds. The general fund's fund balance decreased \$217,525 to \$1,033,223.
- ❑ Net assets for enterprise funds decreased by \$938,434. This decrease resulted primarily from an increase in contractual services in the water and sewer funds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

# CITY OF SYLVANIA, OHIO

---

*Management's Discussion and Analysis  
For the Year Ended December 31, 2007*

*Unaudited*

---

## **Government-wide Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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



## CITY OF SYLVANIA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provided a comparison of the City's net assets between December 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$32,413,185	\$34,659,672	\$3,579,852	\$3,792,225	\$35,993,037	\$38,451,897
Capital assets, Net	37,687,220	37,485,663	18,908,672	19,650,642	56,590,892	57,136,305
Total assets	70,100,405	72,145,335	22,488,524	23,442,867	92,583,929	95,588,202
Long-term debt outstanding	17,628,721	18,616,801	305,630	318,695	17,934,351	18,935,496
Other liabilities	3,611,125	3,557,453	469,797	497,830	4,080,922	4,055,283
Total liabilities	21,239,846	22,174,254	775,427	816,525	22,015,273	22,990,779
Net assets						
Invested in capital assets, net of related debt	21,639,709	20,416,086	18,908,672	19,650,642	40,543,381	40,066,728
Restricted	25,560,082	27,729,006	0	0	25,560,082	27,729,006
Unrestricted	1,660,768	1,825,989	2,804,425	2,975,700	4,465,193	4,801,689
Total net assets	\$48,860,559	\$49,971,081	\$21,708,097	\$22,626,342	\$70,568,656	\$72,597,423

## CITY OF SYLVANIA, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2007

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2007 and 2006:

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$1,611,159	\$1,574,831	\$5,683,603	\$5,544,242	\$7,294,762	\$7,119,073
Operating Grants and Contributions	1,956,985	1,975,360	0	0	1,956,985	1,975,360
Capital Grants and Contributions	61,365	93,269	0	0	61,365	93,269
Total Program Revenues	<u>3,629,509</u>	<u>3,643,460</u>	<u>5,683,603</u>	<u>5,544,242</u>	<u>9,313,112</u>	<u>9,187,702</u>
General Revenues:						
Property Taxes	1,776,015	1,959,490	0	0	1,776,015	1,959,490
Income Taxes	8,105,646	7,477,370	0	0	8,105,646	7,477,370
Intergovernmental Grant, Unrestricted	1,974,044	1,849,211	0	0	1,974,044	1,849,211
Investment Earnings	1,373,674	1,221,786	139,221	116,478	1,512,895	1,338,264
Miscellaneous	551,061	477,874	0	0	551,061	477,874
Total General Revenues	<u>13,780,440</u>	<u>12,985,731</u>	<u>139,221</u>	<u>116,478</u>	<u>13,919,661</u>	<u>13,102,209</u>
Total Revenues	<u>17,409,949</u>	<u>16,629,191</u>	<u>5,822,824</u>	<u>5,660,720</u>	<u>23,232,773</u>	<u>22,289,911</u>
<b>Program Expenses</b>						
Security of Persons and Property	5,733,577	5,590,070	0	0	5,733,577	5,590,070
Public Health and Welfare Services	182,974	169,806	0	0	182,974	169,806
Leisure Time Activities	1,665,532	960,354	0	0	1,665,532	960,354
Community Environment	632,621	616,486	0	0	632,621	616,486
Basic Utility Services	968,808	1,087,867	0	0	968,808	1,087,867
Transportation	3,376,955	4,292,128	0	0	3,376,955	4,292,128
General Government	5,434,330	4,529,274	0	0	5,434,330	4,529,274
Interest and Fiscal Charges	765,207	588,041	0	0	765,207	588,041
Water	0	0	3,450,780	3,177,450	3,450,780	3,177,450
Sewer	0	0	2,869,688	2,184,589	2,869,688	2,184,589
Resource Recovery	0	0	181,068	173,433	181,068	173,433
Total Expenses	<u>18,760,004</u>	<u>17,834,026</u>	<u>6,501,536</u>	<u>5,535,472</u>	<u>25,261,540</u>	<u>23,369,498</u>
Change in Net Assets before Transfers	(1,350,055)	(1,204,835)	(678,712)	125,248	(2,028,767)	(1,079,587)
Transfers	239,533	170,930	(239,533)	(170,930)	0	0
Total Change in Net Assets	(1,110,522)	(1,033,905)	(918,245)	(45,682)	(2,028,767)	(1,079,587)
Beginning Net Assets	<u>49,971,081</u>	<u>51,004,986</u>	<u>22,626,342</u>	<u>22,672,024</u>	<u>72,597,423</u>	<u>73,677,010</u>
Ending Net Assets	<u>\$48,860,559</u>	<u>\$49,971,081</u>	<u>\$21,708,097</u>	<u>\$22,626,342</u>	<u>\$70,568,656</u>	<u>\$72,597,423</u>

## CITY OF SYLVANIA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

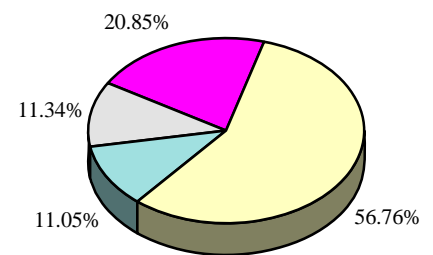
### **Governmental Activities**

Net assets of the City's governmental activities decreased by \$1,110,522. This was due primarily to an increase in construction projects and higher operating costs i.e., wages, health insurance, prisoner housing, utilities and fuel.

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

Property taxes and income taxes made up 10.2% and 46.56% respectively of revenues for governmental activities for the City in fiscal year 2007. The City's reliance upon tax revenues is demonstrated by the following graph indicating 56.71% of total revenues from general tax revenues:

Revenue Sources	2007	Percent of Total
Intergovernmental, Unrestricted	\$1,974,044	11.34%
Program Revenues	3,629,509	20.85%
General Tax Revenues	9,881,661	56.76%
General Other	1,924,735	11.05%
Total Revenue	<u>\$17,409,949</u>	<u>100.00%</u>



### **Business-Type Activities**

Net assets of the business-type activities decreased by \$918,245. This decrease was a result of an increase in contractual services in the water and sewer funds.

## CITY OF SYLVANIA, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2007*

*Unaudited*

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$26,216,677, which is a decrease from last year's balance of \$28,589,424. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2007 and 2006:

	Fund Balance December 31, 2007	Fund Balance December 31, 2006	Increase (Decrease)
General	\$1,033,223	\$1,250,748	(\$217,525)
Police Pension	291,753	224,210	67,543
Income Tax	1,484,482	1,612,955	(128,473)
Capital Improvement	22,406,833	24,283,000	(1,876,167)
Other Governmental	1,000,386	1,218,511	(218,125)
<b>Total</b>	<b>\$26,216,677</b>	<b>\$28,589,424</b>	<b>(\$2,372,747)</b>

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

	2007 Revenues	2006 Revenues	Increase (Decrease)
Taxes	\$2,607,986	\$2,392,921	\$215,065
Intergovernmental Revenue	1,978,633	1,938,467	40,166
Charges for Services	416,533	422,309	(5,776)
Licenses and Permits	204,504	186,363	18,141
Fines and Forfeitures	931,951	891,096	40,855
Investment Earnings	185,819	187,612	(1,793)
All Other Revenue	159,541	115,989	43,552
<b>Total</b>	<b>\$6,484,967</b>	<b>\$6,134,757</b>	<b>\$350,210</b>

General Fund revenues in 2007 increased approximately 5.7% compared to revenues in fiscal year 2006. The most significant factor contributing to this increase was an increase in estate tax revenues, income tax revenues and some state shared revenue.

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

---

***Management's Discussion and Analysis  
For the Year Ended December 31, 2007***

***Unaudited***

	2007	2006	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$4,491,461	\$4,031,562	\$459,899
Public Health and Welfare Services	175,009	169,662	5,347
Leisure Time Activities	796,848	722,006	74,842
Community Environment	402,658	338,396	64,262
Basic Utility Services	544,426	803,061	(258,635)
Transportation	278,912	195,342	83,570
General Government	<u>3,429,035</u>	<u>3,288,053</u>	<u>140,982</u>
Total	<u><u>\$10,118,349</u></u>	<u><u>\$9,548,082</u></u>	<u><u>\$570,267</u></u>

General Fund expenditures increased by \$570,267 or 5.8% over the prior year mostly due to increases in other factors such as increased costs related to housing prisoners, refuse disposal, municipal court operations and legal services.

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

During the course of fiscal year 2007 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$10.8 million did not significantly change from the original budget estimates. The General Fund had a fund balance to cover expenditures.

## CITY OF SYLVANIA, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2007*

*Unaudited*

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of 2007 the City had \$56,590,892 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$37,687,220 was related to governmental activities and \$18,903,672 to the business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$8,593,878	\$8,664,201	(\$70,323)
Construction in Progress	65,464	124,221	(58,757)
Land Improvements	181,766	177,054	4,712
Buildings	17,369,597	17,182,684	186,913
Machinery and Equipment	6,002,057	5,124,736	877,321
Infrastructure	23,563,327	23,319,526	243,801
Less: Accumulated Depreciation	(18,088,869)	(17,106,759)	(982,110)
Totals	\$37,687,220	\$37,485,663	\$201,557

	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$7,456	\$7,456	\$0
Buildings and Improvements	567,052	567,052	0
Improvements Other Than Buildings	34,670,434	34,670,434	0
Machinery and Equipment	1,499,266	1,491,922	7,344
Less: Accumulated Depreciation	(17,840,536)	(17,086,222)	(754,314)
Totals	\$18,903,672	\$19,650,642	(\$746,970)

As of December 31, 2007, the City has contractual commitments of \$576,721 for several road improvement projects. Additional information on the City's capital assets can be found in Note 8.

## **CITY OF SYLVANIA, OHIO**

---

***Management's Discussion and Analysis  
For the Year Ended December 31, 2007***

***Unaudited***

---

### ***Debt***

At December 31, 2007, the City had \$15.7 million in bonds/notes outstanding, \$5,435,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Governmental Activities:		
General Obligation Bonds	\$11,207,750	\$12,172,640
Special Assessment Bonds	17,250	41,360
OPWC Loans Payable	0	19,609
Promissory Notes	307,331	335,968
Capital Lease Payable	15,180	0
Long-Term Note Payable	4,500,000	4,500,000
Compensated Absences	<u>1,581,210</u>	<u>1,547,224</u>
Total Governmental Activities	17,628,721	18,616,801
Business-Type Activities:		
Compensated Absences	<u>305,630</u>	<u>318,695</u>
Total Business-Type Activities	<u>305,630</u>	<u>318,695</u>
Totals	<u><u>\$17,934,351</u></u>	<u><u>\$18,935,496</u></u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Sylvania lies, is limited to fifteen mills. At December 31, 2007, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

### **ECONOMIC FACTORS**

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

Wage increases averaged about 3.50 percent in 2007; however, medical insurance costs rose significantly. The City has maintained a level workforce number for over five years.

City Council has the ability to increase income tax revenues by eliminating or reducing the 100% credit for taxes paid by residents to other cities in which they work.

### **REQUESTS FOR INFORMATION**

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

This Page Intentionally Left Blank



**CITY OF SYLVANIA, OHIO**

**Statement of Net Assets**  
**December 31, 2007**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 4,155,031	\$ 212,160	\$ 4,367,191
Investments	21,729,824	2,590,947	24,320,771
Receivables:			
Taxes	2,794,439	0	2,794,439
Accounts	184,773	548,242	733,015
Intergovernmental	1,440,014	0	1,440,014
Interest	69,282	8,210	77,492
Special Assessments	358,164	0	358,164
Internal Balances	(6,498)	6,498	0
Inventory of Supplies at Cost	542,743	189,298	732,041
Prepaid Items	70,350	24,497	94,847
Investment in Joint Venture	1,074,000	0	1,074,000
Restricted Assets:			
Cash and Cash Equivalents	1,063	0	1,063
Capital Assets:			
Property, Plant and Equipment	55,776,089	36,744,208	92,520,297
Accumulated Depreciation	(18,088,869)	(17,840,536)	(35,929,405)
<b>Total Assets</b>	<b>70,100,405</b>	<b>22,483,524</b>	<b>92,583,929</b>
<b>Liabilities:</b>			
Accounts Payable	1,077,185	376,894	1,454,079
Accrued Wages and Benefits	676,600	92,903	769,503
Claims Payable	291,891	0	291,891
Unearned Revenue	1,519,238	0	1,519,238
Accrued Interest Payable	46,211	0	46,211
Noncurrent liabilities:			
Due within one year	5,596,531	25,275	5,621,806
Due in more than one year	12,032,190	280,355	12,312,545
<b>Total Liabilities</b>	<b>21,239,846</b>	<b>775,427</b>	<b>22,015,273</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	21,639,709	18,903,672	40,543,381
Restricted For:			
Capital Projects	22,560,889	0	22,560,889
Other Purposes	2,999,193	0	2,999,193
Unrestricted	1,660,768	2,804,425	4,465,193
<b>Total Net Assets</b>	<b>\$ 48,860,559</b>	<b>\$ 21,708,097</b>	<b>\$ 70,568,656</b>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2007**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 5,733,577	\$ 24,549	\$ 400,251	\$ 0
Public Health and Welfare Services	182,974	10,933	0	0
Leisure Time Activities	1,665,532	0	0	0
Community Environment	632,621	30,234	210,518	0
Basic Utility Services	968,808	403,991	204,342	0
Transportation	3,376,955	4,065	1,118,770	0
General Government	5,434,330	1,137,387	23,104	61,365
Interest and Fiscal Charges	765,207	0	0	0
<b>Total Governmental Activities</b>	<b>18,760,004</b>	<b>1,611,159</b>	<b>1,956,985</b>	<b>61,365</b>
<b>Business-Type Activities:</b>				
Water	3,450,780	3,280,345	0	0
Sewer	2,869,688	2,342,454	0	0
Resource Recovery	181,068	60,804	0	0
<b>Total Business-Type Activities</b>	<b>6,501,536</b>	<b>5,683,603</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 25,261,540</b>	<b>\$ 7,294,762</b>	<b>\$ 1,956,985</b>	<b>\$ 61,365</b>

**General Revenues**

Property Taxes  
Municipal Income Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Transfers  
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

---

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (5,308,777)	\$ 0	\$ (5,308,777)
(172,041)	0	(172,041)
(1,665,532)	0	(1,665,532)
(391,869)	0	(391,869)
(360,475)	0	(360,475)
(2,254,120)	0	(2,254,120)
(4,212,474)	0	(4,212,474)
(765,207)	0	(765,207)
(15,130,495)	0	(15,130,495)
0	(170,435)	(170,435)
0	(527,234)	(527,234)
0	(120,264)	(120,264)
0	(817,933)	(817,933)
(15,130,495)	(817,933)	(15,948,428)
1,776,015	0	1,776,015
8,105,646	0	8,105,646
1,974,044	0	1,974,044
1,373,674	139,221	1,512,895
551,061	0	551,061
239,533	(239,533)	0
14,019,973	(100,312)	13,919,661
(1,110,522)	(918,245)	(2,028,767)
49,971,081	22,626,342	72,597,423
\$ 48,860,559	\$ 21,708,097	\$ 70,568,656

**CITY OF SYLVANIA, OHIO**

---

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

---

	<u>General</u>	<u>Police Pension</u>	<u>Income Tax</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 50,479	\$ 431,504	\$ 858,050
Investments	623,273	0	0
Receivables:			
Taxes	1,330,105	469,498	780,438
Accounts	174,593	0	0
Intergovernmental	855,241	31,600	0
Interest	1,975	0	0
Special Assessments	0	0	0
Inventory of Supplies, at Cost	360,740	0	0
Prepaid Items	54,967	0	1,740
Restricted Assets:			
Cash and Cash Equivalents	0	0	0
<b>Total Assets</b>	<u>\$ 3,451,373</u>	<u>\$ 932,602</u>	<u>\$ 1,640,228</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 322,948	\$ 0	\$ 8,018
Accrued Wages and Benefits Payable	432,204	139,751	25,378
Deferred Revenue	1,632,164	501,098	121,014
Compensated Absences Payable	30,834	0	1,336
<b>Total Liabilities</b>	<u>2,418,150</u>	<u>640,849</u>	<u>155,746</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	6,022	0	76
Reserved for Prepaid Items	54,967	0	1,740
Reserved for Supplies Inventory	360,740	0	0
Reserved for Endowments	0	0	0
Undesignated/Unreserved in:			
General Fund	611,494	0	0
Special Revenue Funds	0	291,753	1,482,666
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
<b>Total Fund Balances</b>	<u>1,033,223</u>	<u>291,753</u>	<u>1,484,482</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,451,373</u>	<u>\$ 932,602</u>	<u>\$ 1,640,228</u>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

---

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,724,685	\$ 818,688	\$ 3,883,406
21,106,551	0	21,729,824
214,398	0	2,794,439
0	10,180	184,773
0	553,173	1,440,014
66,876	431	69,282
0	358,164	358,164
0	182,003	542,743
0	12,664	69,371
0	1,063	1,063
<u>\$ 23,112,510</u>	<u>\$ 1,936,366</u>	<u>\$ 31,073,079</u>
\$ 600,883	\$ 144,272	\$ 1,076,121
0	74,115	671,448
104,794	710,414	3,069,484
0	7,179	39,349
<u>705,677</u>	<u>935,980</u>	<u>4,856,402</u>
353,563	14,961	374,622
0	12,664	69,371
0	182,003	542,743
0	1,063	1,063
0	0	611,494
0	711,318	2,485,737
0	13,860	13,860
<u>22,053,270</u>	<u>64,517</u>	<u>22,117,787</u>
<u>22,406,833</u>	<u>1,000,386</u>	<u>26,216,677</u>
<u>\$ 23,112,510</u>	<u>\$ 1,936,366</u>	<u>\$ 31,073,079</u>

**CITY OF SYLVANIA, OHIO**

---

***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2007***

---

<b>Total Governmental Fund Balances</b>	\$ 26,216,677
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	37,632,221
The government's explicit, measurable equity interest in a joint venture is not a financial asset to the government, therefore it is not reported in the governmental funds. However, the government is required to report the equity interest as an asset in connection with governmental activities in the government-wide statement of net assets.	1,074,000
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,550,246
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	22,998
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(17,635,583)
<b><i>Net Assets of Governmental Funds</i></b>	<u>\$ 48,860,559</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

**CITY OF SYLVANIA, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007**

	General	Police Pension	Income Tax
<b>Revenues:</b>			
Property Taxes	\$ 1,289,443	\$ 495,190	\$ 0
Municipal Income Taxes	1,318,543	0	5,377,302
Intergovernmental Revenues	1,978,633	53,276	0
Charges for Services	416,533	0	0
Licenses, Permits and Fees	204,504	0	0
Investment Earnings	185,819	0	0
Special Assessments	0	0	0
Fines and Forfeitures	931,951	0	0
All Other Revenue	159,541	2,873	960
<b>Total Revenue</b>	<b>6,484,967</b>	<b>551,339</b>	<b>5,378,262</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	4,491,461	483,796	0
Public Health and Welfare Services	175,009	0	0
Leisure Time Activities	796,848	0	0
Community Environment	402,658	0	0
Basic Utility Services	544,426	0	0
Transportation	278,912	0	0
General Government	3,429,035	0	702,735
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest & Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>10,118,349</b>	<b>483,796</b>	<b>702,735</b>
Excess (Deficiency) of Revenues Over Expenditures	(3,633,382)	67,543	4,675,527
<b>Other Financing Sources (Uses):</b>			
General Obligation Notes Issued	0	0	0
Transfers In	3,621,495	0	0
Transfers Out	(275,004)	0	(4,804,000)
Other Financing Sources - Capital Leases	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>3,346,491</b>	<b>0</b>	<b>(4,804,000)</b>
Net Change in Fund Balances	(286,891)	67,543	(128,473)
<b>Fund Balances at Beginning of Year</b>	<b>1,250,748</b>	<b>224,210</b>	<b>1,612,955</b>
Increase (Decrease) in Inventory Reserve	69,366	0	0
<b>Fund Balances End of Year</b>	<b>\$ 1,033,223</b>	<b>\$ 291,753</b>	<b>\$ 1,484,482</b>

See accompanying notes to the basic financial statements



**CITY OF SYLVANIA, OHIO**

---

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 1,784,633
1,318,543	0	8,014,388
82,552	1,201,787	3,316,248
0	0	416,533
0	0	204,504
1,205,350	3,125	1,394,294
0	676,215	676,215
0	147,289	1,079,240
61,365	289,321	514,060
<u>2,667,810</u>	<u>2,317,737</u>	<u>17,400,115</u>
0	366,040	5,341,297
0	0	175,009
0	0	796,848
0	220,745	623,403
0	424,382	968,808
0	1,336,913	1,615,825
0	124,266	4,256,036
4,404,573	75,628	4,480,201
4,548,246	996,590	5,544,836
208,524	560,427	768,951
<u>9,161,343</u>	<u>4,104,991</u>	<u>24,571,214</u>
(6,493,533)	(1,787,254)	(7,171,099)
4,500,000	0	4,500,000
3,801,938	1,964,349	9,387,782
(3,684,572)	(384,673)	(9,148,249)
0	22,770	22,770
<u>4,617,366</u>	<u>1,602,446</u>	<u>4,762,303</u>
(1,876,167)	(184,808)	(2,408,796)
24,283,000	1,218,511	28,589,424
0	(33,317)	36,049
<u>\$ 22,406,833</u>	<u>\$ 1,000,386</u>	<u>\$ 26,216,677</u>

**CITY OF SYLVANIA, OHIO**

---

***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2007***

---

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,408,796)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	484,865
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.	(290,684)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	9,834
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,022,066
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	3,744
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.	3,081
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.	65,368
<b><i>Change in Net Assets of Governmental Activities</i></b>	<u><u>\$ (1,110,522)</u></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)  
General Fund  
For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 1,160,000	\$ 1,160,000	\$ 1,289,443	\$ 129,443
Municipal Income Taxes	1,323,000	1,323,000	1,333,895	10,895
Intergovernmental Revenue	1,578,200	1,923,200	2,025,625	102,425
Charges for Services	398,300	441,400	450,511	9,111
Licenses, Permits and Fees	177,500	177,500	200,450	22,950
Investment Earnings	187,000	187,000	185,764	(1,236)
Fines and Forfeitures	913,700	913,700	938,554	24,854
All Other Revenues	159,100	117,000	162,944	45,944
Total Revenues	<u>5,896,800</u>	<u>6,242,800</u>	<u>6,587,186</u>	<u>344,386</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,213,918	4,449,360	4,402,328	47,032
Public Health and Welfare Services	191,645	184,205	178,580	5,625
Leisure Time Activities	775,418	804,298	791,581	12,717
Community Environment	329,720	432,920	424,725	8,195
Basic Utility Services	625,130	682,790	682,627	163
Transportation	239,530	279,280	269,313	9,967
General Government	3,694,555	3,443,110	3,374,769	68,341
Total Expenditures	<u>10,069,916</u>	<u>10,275,963</u>	<u>10,123,923</u>	<u>152,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,173,116)	(4,033,163)	(3,536,737)	496,426
<b>Other Financing Sources (Uses):</b>				
Transfers In	4,621,497	4,621,497	3,621,495	(1,000,002)
Transfers Out	(466,875)	(366,875)	(275,004)	91,871
Total Other Financing Sources (Uses):	<u>4,154,622</u>	<u>4,254,622</u>	<u>3,346,491</u>	<u>(908,131)</u>
Net Change In Fund Balance	(18,494)	221,459	(190,246)	(411,705)
Fund Balance at Beginning of Year	794,557	794,557	794,557	0
Prior Year Encumbrances	18,494	18,494	18,494	0
Fund Balance at End of Year	<u>\$ 794,557</u>	<u>\$ 1,034,510</u>	<u>\$ 622,805</u>	<u>\$ (411,705)</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 - Police Pension Fund  
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 428,000	\$ 428,000	\$ 495,190	\$ 67,190
Intergovernmental Revenue	62,000	62,000	53,276	(8,724)
All Other Revenues	0	0	2,873	2,873
Total Revenues	490,000	490,000	551,339	61,339
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	443,000	465,000	464,070	930
Total Expenditures	443,000	465,000	464,070	930
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,000	25,000	87,269	62,269
Fund Balance at Beginning of Year	344,235	344,235	344,235	0
Fund Balance at End of Year	\$ 391,235	\$ 369,235	\$ 431,504	\$ 62,269

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 - Income Tax Fund  
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Municipal Income Taxes	\$ 5,300,000	\$ 5,300,000	\$ 5,335,563	\$ 35,563
All Other Revenues	1,000	1,000	960	(40)
Total Revenues	5,301,000	5,301,000	5,336,523	35,523
<b>Expenditures:</b>				
Current:				
General Government	622,810	719,520	694,103	25,417
Total Expenditures	622,810	719,520	694,103	25,417
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,678,190	4,581,480	4,642,420	60,940
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(3,804,000)	(4,804,000)	(4,804,000)	0
Total Other Financing Sources (Uses):	(3,804,000)	(4,804,000)	(4,804,000)	0
Net Change In Fund Balance	874,190	(222,520)	(161,580)	60,940
Fund Balance at Beginning of Year	1,016,523	1,016,523	1,016,523	0
Fund Balance at End of Year	\$ 1,890,713	\$ 794,003	\$ 854,943	\$ 60,940

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2007**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Resource Recovery	Total	
	Water	Sewer	Resource Recovery	Total	
<b>ASSETS</b>					
Current assets:					
Cash and Cash Equivalents	\$ 71,465	\$ 138,376	\$ 2,319	\$ 212,160	\$ 271,625
Investments	882,394	1,708,553	0	2,590,947	0
Accounts Receivable	291,560	256,682	0	548,242	0
Interest Receivable	2,796	5,414	0	8,210	0
Inventory of Supplies at Cost	137,648	51,650	0	189,298	0
Prepaid Items	13,325	10,724	448	24,497	979
Total current assets	1,399,188	2,171,399	2,767	3,573,354	272,604
Noncurrent assets:					
Capital assets:					
Property, Plant and Equipment	11,725,242	24,816,947	202,019	36,744,208	76,887
Less accumulated depreciation	(5,216,336)	(12,422,181)	(202,019)	(17,840,536)	(21,888)
Total capital assets (net of accumulated depr)	6,508,906	12,394,766	0	18,903,672	54,999
Total assets	7,908,094	14,566,165	2,767	22,477,026	327,603
<b>LIABILITIES</b>					
Current liabilities:					
Accounts Payable	29,889	344,058	2,947	376,894	1,064
Accrued Wages and Benefits	49,234	40,503	3,166	92,903	5,152
Claims Payable	0	0	0	0	291,891
Total Current Liabilities	79,123	384,561	6,113	469,797	298,107
Noncurrent Liabilities:					
Compensated Absences Payable	199,213	106,417	0	305,630	0
<b>Total Liabilities</b>	278,336	490,978	6,113	775,427	298,107
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	6,508,906	12,394,766	0	18,903,672	54,999
Unrestricted	1,120,852	1,680,421	(3,346)	2,797,927	(25,503)
Total Net Assets	\$ 7,629,758	\$ 14,075,187	\$ (3,346)	21,701,599	\$ 29,496
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.				6,498	
Net Assets of Business-type Activities				\$ 21,708,097	

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2007**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water	Sewer	Resource	Total	Internal
			Recovery		Service Funds
<b>Operating Revenues:</b>					
Charges for Services	\$ 3,216,004	\$ 2,311,203	\$ 60,804	\$ 5,588,011	\$ 2,106,702
Other Operating Revenues	64,341	31,251	0	95,592	0
<b>Total Operating Revenues</b>	<b>3,280,345</b>	<b>2,342,454</b>	<b>60,804</b>	<b>5,683,603</b>	<b>2,106,702</b>
<b>Operating Expenses:</b>					
Personal Services	741,071	778,179	81,040	1,600,290	1,697,971
Materials and Supplies	212,094	57,391	48,214	317,699	16,573
Contractual Services	2,250,590	1,550,814	48,018	3,849,422	323,237
Depreciation	257,262	493,252	3,800	754,314	11,871
<b>Total Operating Expenses</b>	<b>3,461,017</b>	<b>2,879,636</b>	<b>181,072</b>	<b>6,521,725</b>	<b>2,049,652</b>
<b>Operating Income (Loss)</b>	<b>(180,672)</b>	<b>(537,182)</b>	<b>(120,268)</b>	<b>(838,122)</b>	<b>57,050</b>
<b>Non-Operating Revenue:</b>					
Interest Income	45,663	93,558	0	139,221	0
Other Nonoperating Revenue	0	0	0	0	28,507
<b>Total Non-Operating Revenues</b>	<b>45,663</b>	<b>93,558</b>	<b>0</b>	<b>139,221</b>	<b>28,507</b>
<b>Income (Loss) Before Transfers</b>	<b>(135,009)</b>	<b>(443,624)</b>	<b>(120,268)</b>	<b>(698,901)</b>	<b>85,557</b>
<b>Transfers:</b>					
Transfers In	0	0	104,945	104,945	0
Transfers Out	(83,339)	(261,139)	0	(344,478)	0
<b>Total Transfers</b>	<b>(83,339)</b>	<b>(261,139)</b>	<b>104,945</b>	<b>(239,533)</b>	<b>0</b>
<b>Change in Net Assets</b>	<b>(218,348)</b>	<b>(704,763)</b>	<b>(15,323)</b>	<b>(938,434)</b>	<b>85,557</b>
Net Assets Beginning of Year	7,848,106	14,779,950	11,977	22,640,033	(56,061)
<b>Net Assets End of Year</b>	<b>\$ 7,629,758</b>	<b>\$ 14,075,187</b>	<b>\$ (3,346)</b>	<b>21,701,599</b>	<b>\$ 29,496</b>
Change in Net Assets - Total Enterprise Funds				(938,434)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.				20,189	
Change in Net Assets - Business-type Activities				<u>\$ (918,245)</u>	

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2007**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water	Sewer	Resource	Totals	Internal Service Funds
			Recovery		
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$3,478,815	\$2,408,188	\$60,804	\$5,947,807	\$2,107,133
Cash Payments for Goods and Services	(2,419,340)	(1,521,555)	(101,126)	(4,042,021)	(340,327)
Cash Payments to Employees	(881,463)	(760,987)	(81,889)	(1,724,339)	(1,662,937)
Net Cash Provided (Used) by Operating Activities	<u>178,012</u>	<u>125,646</u>	<u>(122,211)</u>	<u>181,447</u>	<u>103,869</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers In from Other Funds	0	0	104,945	104,945	0
Transfers Out to Other Funds	(83,339)	(261,139)	0	(344,478)	0
Miscellaneous Non operating Revenue	0	0	0	0	28,507
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(83,339)</u>	<u>(261,139)</u>	<u>104,945</u>	<u>(239,533)</u>	<u>28,507</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and Construction of Assets	0	(15,952)	0	(15,952)	(19,247)
Net Cash Used for Capital and Related Financing Activities	<u>0</u>	<u>(15,952)</u>	<u>0</u>	<u>(15,952)</u>	<u>(19,247)</u>
<b>Cash Flows from Investing Activities:</b>					
Purchase of Investments	(155,373)	(9,870)	0	(165,243)	0
Receipts of Interest	43,736	92,762	0	136,498	0
Net Cash Provided (Used) by Investing Activities	<u>(111,637)</u>	<u>82,892</u>	<u>0</u>	<u>(28,745)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,964)	(68,553)	(17,266)	(102,783)	113,129
Cash and Cash Equivalents at Beginning of Year	88,429	206,929	19,585	314,943	158,496
Cash and Cash Equivalents at End of Year	<u>\$71,465</u>	<u>\$138,376</u>	<u>\$2,319</u>	<u>\$212,160</u>	<u>\$271,625</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	(\$180,672)	(\$537,182)	(\$120,268)	(\$838,122)	\$57,050
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Depreciation Expense	257,262	493,252	3,800	754,314	11,871
<b>Changes in Assets and Liabilities:</b>					
Decrease in Accounts Receivable	198,470	65,734	0	264,204	431
Decrease (Increase) in Inventory	30,976	(5,212)	0	25,764	0
Decrease (Increase) in Prepaid Items	2,599	4,998	180	7,777	(979)
Increase (Decrease) in Accounts Payable	(137,075)	86,327	(5,074)	(55,822)	325
Increase (Decrease) in Accrued Wages and Benefits	20,972	16,274	(849)	36,397	4,288
Increase in Claims Payable	0	0	0	0	30,883
Increase (Decrease) in Compensated Absences	(14,520)	1,455	0	(13,065)	0
Total Adjustments	<u>358,684</u>	<u>662,828</u>	<u>(1,943)</u>	<u>1,019,569</u>	<u>46,819</u>
Net Cash Provided (Used) by Operating Activities	<u>\$178,012</u>	<u>\$125,646</u>	<u>(\$122,211)</u>	<u>\$181,447</u>	<u>\$103,869</u>

**Schedule of Noncash Investing, Capital and Financing Activities:**

During 2007 the fair value of investments increased by \$6,396 and \$12,384 in the Water and Sewer Funds respectively.

See accompanying notes to the basic financial statements



**CITY OF SYLVANIA, OHIO**

---

***Statement of Assets and Liabilities  
Fiduciary Fund  
December 31, 2007***

---

	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 92,053
<b>Total Assets</b>	<u>92,053</u>
<b>Liabilities:</b>	
Due to Others	<u>92,053</u>
<b>Total Liabilities</b>	<u>\$ 92,053</u>

See accompanying notes to the basic financial statements

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **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, 2007 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 16 "Joint Venture."

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **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.

The SAJRD operates the City-owned Tam O'Shanter ice skating complex under an agreement with the City. The terms of the agreement require the SAJRD to pay the City an annual amount equal to the City's debt service on the ice skating complex and reimbursement of any building improvements made to the facility by the City. The total amount received by the City in 2007 from the SAJRD was \$223,610 for debt service.

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

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

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

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

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

## *CITY OF SYLVANIA, OHIO*

---

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2007*

---

#### **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.

Income Tax Fund - This fund is used to account for the collections of the municipal income tax as required by City Ordinance.

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

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

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

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

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

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

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

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

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

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

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

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

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

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

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

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

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

##### **D. Basis of Accounting**

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

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

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

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

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

Special assessment installments which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2007, but which are not intended to finance 2007 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

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

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

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

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

## *CITY OF SYLVANIA, OHIO*

---

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2007*

---

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

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

###### 1. Estimated Resources

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the previous year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

###### 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—Police Pension Fund" and in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—Income Tax Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.



## *CITY OF SYLVANIA, OHIO*

---

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2007*

---

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

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

##### 3. Encumbrances

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

##### 4. Lapsing of Appropriations

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

##### 5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. On the budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

This space intentionally left blank.

**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

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

**E. Budgetary Process (Continued)**

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

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

	Net Change In Fund Balance		
	General Fund	Police Pension Fund	Income Tax Fund
GAAP Basis (as reported)	(\$286,891)	\$67,543	(\$128,473)
Increase (Decrease):			
Accrued Revenues at December 31, 2007 received during 2008	(734,267)	0	(659,424)
Accrued Revenues at December 31, 2006 received during 2007	836,486	0	617,685
Accrued Expenditures at December 31, 2007 paid during 2008	785,986	139,751	34,732
Accrued Expenditures at December 31, 2006 paid during 2007	(757,004)	(120,025)	(23,585)
2006 Prepays for 2007	66,841	0	2,332
2007 Prepays for 2008	(54,967)	0	(1,740)
Outstanding Encumbrances	(46,430)	0	(3,107)
Budget Basis	(\$190,246)	\$87,269	(\$161,580)

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), and investments with original maturities of less than three months. The STAR Ohio is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

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

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. During fiscal year 2007, 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 4, "Cash, Cash Equivalents and Investments."

Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$185,819 which includes \$146,797 assigned from other City funds.

The City has invested funds in the STAR Ohio during 2007. 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, 2007.

##### **H. Inventory**

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

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

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

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

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

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000, except for computer software which is capitalized if the purchase price, including license fees and installation, exceed \$50,000.

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

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

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

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

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

**CITY OF SYLVANIA, OHIO**

---

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

---

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

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

**3. Depreciation**

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

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	40
Improvements other than Buildings	50
Infrastructure	10-100
Machinery, Equipment, Furniture and Fixtures	5 - 20

**K. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	General Obligation Debt Service Fund
Special Assessment Bonds (with governmental commitment)	Special Assessment Debt Service Fund
Ohio Public Works Commission Loan Payable	Capital Improvement Fund
Capital Lease Payable	Federal Equity Fund
Long-Term Note Payable	Capital Improvement Fund
Promissory Note Payable	Capital Improvement Fund
Compensated Absences	General Fund
	Street Construction, Maintenance and Repair Fund
	Income Tax Fund
	Water Fund
	Sewer Fund
	City Garage Fund

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

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

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

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

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

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

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

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

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

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

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

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

##### **N. Pensions**

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

##### **O. 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.

##### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, endowments and encumbered amounts, which have not been accrued at year end.

##### **Q. Estimates**

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

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

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

**CITY OF SYLVANIA, OHIO**

---

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

---

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

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

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

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

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

Delinquent Income Tax Revenue	\$220,097
Delinquent Property Tax Revenue	65,967
Shared Revenues	849,134
Interest Revenues	56,884
Special Assessment Revenue	358,164
	<u>\$1,550,246</u>

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

General Obligation Bonds Payable	(\$11,207,750)
Special Assessment Bonds Payable	(17,250)
Capital Lease Payable	(15,180)
Promissory Notes Payable	(307,331)
Long-Term Note Payable	(4,500,000)
Accrued Interest on Long-Term Debt	(46,211)
Compensated Absences Payable	(1,541,861)
	<u>(\$17,635,583)</u>



## CITY OF SYLVANIA, OHIO

---

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2007*

---

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

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

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

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

Capital Outlay	\$1,890,028
Depreciation Expense	<u>(1,405,163)</u>
	\$484,865

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$91,258
Decrease in Delinquent Property Tax	(8,618)
Decrease in Shared Revenue	(39,629)
Decrease in Interest Revenue	(20,620)
Decrease in Special Assessment Revenue	<u>(12,557)</u>
	\$9,834

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

Increase in Compensated Absences Payable	(\$32,968)
Increase in supplies inventory	<u>36,049</u>
	\$3,081

#### NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

**Fund Deficits** - The fund deficits at December 31, 2007 of \$10,863 in the City Services Fund (special revenue fund), \$8,633 in the General Obligation Bond Retirement Fund (debt service fund), \$150,490 in the Self-Insurance Fund (internal service fund) and \$3,346 in the Resource Recovery Fund (enterprise fund) arise from the recognition of expenditures/expenses on the modified accrual basis of accounting which are greater than expenditures/expenses recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

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

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 4 - 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.

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).

## *CITY OF SYLVANIA, OHIO*

---

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2007*

---

#### **NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **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.

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 \$7,441,097 and the bank balance was \$7,648,839. Federal depository insurance covered \$574,128 of the bank balance and \$7,074,711 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	\$5,131,839
Uninsured and collateralized with a letter of credit issued by the Federal Home Loan Bank of Cincinnati with the City as beneficiary	1,900,000
Uninsured and uncollateralized	<u>42,872</u>
Total Balance	<u><u>\$7,074,711</u></u>

This space intentionally left blank.

**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2007 are summarized below:

	Fair Value	Investment Maturities (in Years)			Greater Than 5
		less than 1	1-3	3-5	
Toledo Community Foundation, Inc. (mutual fund)	\$43,491	\$43,491	\$0	\$0	\$0
STAR Ohio	2,973,569	2,973,569	0	0	0
Sylvania Township Bonds	925,000	45,000	95,000	105,000	680,000
FNMA	3,706,126	0	3,382,244	323,882	0
FHLMC	1,412,025	0	1,127,442	284,583	0
FHLB	7,014,083	0	7,014,083	0	0
FFCB	498,907	0	498,907	0	0
Freddie MAC	3,433,182	0	3,065,737	367,445	0
U.S. Treasury Notes	1,331,448	0	967,390	364,058	0
Total Investments	<u>\$21,337,831</u>	<u>\$3,062,060</u>	<u>\$16,150,803</u>	<u>\$1,444,968</u>	<u>\$680,000</u>

*Interest Rate Risk* – The City’s policy states that all investment 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.

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

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investments in Freddie MAC, FNMA, FFCB, FHLMC and FHLB securities in the amount of \$3,433,182, \$3,706,126, \$498,907, \$1,412,025 and \$7,014,083, 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.

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

*Concentration of Credit Risk* – Of the City’s investments, 17.4% are FNMA, 6.6% are FHLMC, 32.9% are FHLB, and 16.1% are Freddie Mac. 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 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 issue with the following exceptions:

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

#### **NOTE 5 - 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 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, 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 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 5 - TAXES (Continued)**

##### **A. Property Taxes (Continued)**

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of January 1, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. The assessment percentage for property, including inventory is 18.75% for 2006. This percentage will be reduced to 12.5% in 2007, 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2007 was \$3.60 per \$1,000 of assessed value. The assessed value upon which the 2007 receipts were based was \$494,464,907. This amount constitutes \$478,122,900 in real property assessed value, \$5,077,640 in public utility assessed value and \$11,264,367 in tangible personal property 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 .360% (3.60 mills) of assessed value.

**CITY OF SYLVANIA, OHIO**

---

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

---

**NOTE 5 - 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 6 - RECEIVABLES**

Receivables at December 31, 2007 consisted of taxes, intergovernmental receivables, special assessments, accounts receivable and interest.

**NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2007:

	Transfers In:				Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Resource Recovery Fund	
<b>Transfers Out:</b>					
General Fund	\$0	\$0	\$170,059	\$104,945	\$275,004
Income Tax Fund	1,204,000	3,600,000	0	0	4,804,000
Capital Improvement Fund	2,417,495	0	1,267,077	0	3,684,572
Nonmajor Governmental Funds	0	201,938	182,735	0	384,673
Water Fund	0	0	83,339	0	83,339
Sewer Fund	0	0	261,139	0	261,139
	<u>\$3,621,495</u>	<u>\$3,801,938</u>	<u>\$1,964,349</u>	<u>\$104,945</u>	<u>\$9,492,727</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.

**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2007:

*Historical Cost:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$8,664,201	\$44,199	(\$114,522)	\$8,593,878
Construction in Progress	124,221	14,700	(73,457)	65,464
<i>Capital assets being depreciated:</i>				
Land Improvements	177,054	4,712	0	181,766
Buildings	17,182,684	186,913	0	17,369,597
Machinery and Equipment	5,124,736	1,137,540	(260,219)	6,002,057
Infrastructure	23,319,526	521,211	(277,410)	23,563,327
Total Cost	<u>\$54,592,422</u>	<u>\$1,909,275</u>	<u>(\$725,608)</u>	<u>\$55,776,089</u>

*Accumulated Depreciation:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Land Improvements	(\$51,100)	(\$10,775)	\$0	(\$61,875)
Buildings	(5,610,048)	(397,212)	0	(6,007,260)
Machinery and Equipment	(3,260,405)	(477,816)	231,304	(3,506,917)
Infrastructure	(8,185,206)	(531,231)	203,620	(8,512,817)
Total Depreciation	<u>(\$17,106,759)</u>	<u>(\$1,417,034) *</u>	<u>\$434,924</u>	<u>(\$18,088,869)</u>
<i>Net Value:</i>	<u>\$37,485,663</u>			<u>\$37,687,220</u>

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

Security of Persons and Property	\$124,482
Public Health and Welfare Services	301
Leisure Time Activities	350,662
Community Environment	8,763
Transportation	706,625
General Government	226,201
Total Depreciation Expense	<u>\$1,417,034</u>



**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 8 - CAPITAL ASSETS (continued)**

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

Summary by Category at December 31, 2007:

*Historical Cost:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$7,456	\$0	\$0	\$7,456
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	567,052	0	0	567,052
Improvements Other Than Buildings	34,670,434	0	0	34,670,434
Machinery and Equipment	1,491,922	7,344	0	1,499,266
Total Cost	<u>\$36,736,864</u>	<u>\$7,344</u>	<u>\$0</u>	<u>\$36,744,208</u>

*Accumulated Depreciation:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings and Improvements	(\$414,056)	(\$12,234)	\$0	(\$426,290)
Improvements Other Than Buildings	(15,420,405)	(680,618)	0	(16,101,023)
Machinery and Equipment	(1,251,761)	(61,462)	0	(1,313,223)
Total Depreciation	<u>(\$17,086,222)</u>	<u>(\$754,314)</u>	<u>\$0</u>	<u>(\$17,840,536)</u>

*Net Value:*

	<u>\$19,650,642</u>			<u>\$18,903,672</u>
--	---------------------	--	--	---------------------

This space intentionally left blank.

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

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 9 – 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 (the "Ohio PERS")**

The following information was provided by the Ohio PERS 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 the Ohio PERS: 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.

The Ohio PERS 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 the Ohio PERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2007, 2006, and 2005 were \$711,089, \$695,594 and \$631,420, respectively, which were equal to the required contributions for each year.

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$282,381.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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

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

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2007, 2006, and 2005 were \$483,796, \$457,928 and \$413,568 for police, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2007 covered payroll that was used to fund postemployment health care benefits was \$167,468 representing 6.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

***CITY OF SYLVANIA, OHIO***

---

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

---

**NOTE 10 – 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, 2007, the City's accumulated, unpaid compensated absences amounted to \$1,886,840, of which \$1,581,210 is recorded as a liability of the Governmental Activities and \$305,630 is recorded as a liability of the Business-Type Activities.

This space intentionally left blank.

**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 11 - LONG-TERM DEBT**

Long-term debt and other long-term obligations of the City at December 31, 2007 were as follows:

		Balance December 31, 2006	Additions	(Reductions)	Balance December 31, 2007	Amount Due Within One Year
<b>Governmental Activities:</b>						
Ohio Public Works Commission Loans:						
0.000% Brint Road Extension	1998	\$19,609	\$0	(\$19,609)	\$0	\$0
General Obligation Bonds:						
7.000% Maintenance Building Bonds	1986	175,000	0	(35,000)	140,000	35,000
7.000% Recreational Facilities	1986	125,000	0	(25,000)	100,000	25,000
6.400% Capital Improvement	1987	7,140	0	(7,140)	0	0
6.375% Harroun Road Improvement	1987	40,000	0	(40,000)	0	0
5.304% Recreational Facility	1993	950,000	0	(110,000)	840,000	120,000
3.8-4.9% Municipal Building Improvement Recreational Facilities	1997	850,000	0	(230,000)	620,000	200,000
4.25-5.0% Street Improvement	1998	1,615,500	0	(152,750)	1,462,750	157,750
3.0-5.05% Senior Center/Field House	2002	3,525,000	0	(155,000)	3,370,000	165,000
3.5-4.45% Street Improvement	2004	4,885,000	0	(210,000)	4,675,000	215,000
Total General Obligation Bonds		12,172,640	0	(964,890)	11,207,750	917,750
Special Assessment Bonds:						
(with governmental commitment)						
6.400% Capital Improvement	1987	6,860	0	(6,860)	0	0
4.25-5.0% Street Improvement	1998	34,500	0	(17,250)	17,250	17,250
Total Special Assessment Bonds (with governmental commitment)		41,360	0	(24,110)	17,250	17,250
Long-Term Note:						
4.500% Street Improvements	2006	4,500,000	0	(4,500,000)	0	0
4.000% Street Improvements	2007	0	4,500,000	0	4,500,000	4,500,000
Total Long-Term Notes		4,500,000	4,500,000	(4,500,000)	4,500,000	4,500,000
Promissory Notes Payable:						
6.500% Howard Property	1995	335,968	0	(28,637)	307,331	30,499
Compensated Absences		1,547,224	1,581,210	(1,547,224)	1,581,210	123,442
Capital Lease		0	22,770	(7,590)	15,180	7,590
Total Governmental Activities Long-Term Debt		<u>\$18,616,801</u>	<u>\$6,103,980</u>	<u>(\$7,092,060)</u>	<u>\$17,628,721</u>	<u>\$5,596,531</u>
<b>Business-Type Activities:</b>						
Compensated Absences		\$318,695	\$305,630	(\$318,695)	\$305,630	\$25,275
Total Business-Type Long-Term Debt		<u>\$318,695</u>	<u>\$305,630</u>	<u>(\$318,695)</u>	<u>\$305,630</u>	<u>\$25,275</u>

**CITY OF SYLVANIA, OHIO**

---

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

---

**NOTE 11 - LONG-TERM DEBT (Continued)**

The principal amount of the City's special assessment debt outstanding at December 31, 2007, \$17,250, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$22,493 in the Special Assessment Debt Service Fund at December 31, 2007 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year-end were \$32,681.

On April 17, 2007 the City issued bond anticipation notes in the amount of \$4,500,000 to retire notes previously issued for various road improvements. The notes were issued under the authorization of the Ohio Revised Code section 133.22. The notes have an interest rate of 4% and mature on April 17, 2008.

**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, 2007, follows:

Years	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2008	\$917,750	\$513,624	\$17,250	\$759
2009	885,000	472,193	0	0
2010	920,000	430,955	0	0
2011	725,000	387,152	0	0
2012	695,000	352,926	0	0
2013-2017	3,245,000	1,313,128	0	0
2018-2022	3,100,000	594,215	0	0
2023-2024	720,000	49,420	0	0
Totals	<u>\$11,207,750</u>	<u>\$4,113,613</u>	<u>\$17,250</u>	<u>\$759</u>

Years	Promissory Notes Payable		Total	
	Principal	Interest	Principal	Interest
2008	\$30,499	\$19,976	\$965,499	\$534,359
2009	32,481	17,994	917,481	490,187
2010	34,592	15,883	954,592	446,838
2011	36,841	13,634	761,841	400,786
2012	39,235	11,240	734,235	364,166
2013-2017	133,683	17,743	3,378,683	1,330,871
2018-2022	0	0	3,100,000	594,215
2023-2024	0	0	720,000	49,420
Totals	<u>\$307,331</u>	<u>\$96,470</u>	<u>\$11,532,331</u>	<u>\$4,210,842</u>

## *CITY OF SYLVANIA, OHIO*

---

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2007*

---

#### **NOTE 11 - LONG-TERM DEBT (Continued)**

##### **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 at December 31, 2007 was \$455,000. The entire amount of proceeds from the sale of Pacesetter Park was transferred to an irrevocable trust. The trustee was directed to hold \$44,410 in cash in the escrow fund and to use the remaining \$1,421,300 to purchase United States Treasury Securities - State and Local Government Series (SLGS). The cash deposit combined with anticipated earnings from the SLGS were determined to be sufficient to pay, when due, the remaining debt service payments. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

Building Improvements dated May 1, 1990 (the "1990 Bonds") through the issuance of \$2,205,000 of General Obligation Bonds for Municipal Building Improvements (the "1997 Bonds"). The net proceeds of the 1997 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$620,000 at December 31, 2007 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

#### **NOTE 12 - CAPITAL LEASE**

The City leases a Ford Explorer under a capital lease. The original cost of the vehicle and the related liability are reported in the Government-Wide Statement of Net Assets. The City has an option to purchase the vehicles at the end of the lease for \$1.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2007:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2008	\$8,227
2009	8,227
Minimum Lease Payments	16,454
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(1,274)</u>
Present value of minimum lease payments	<u><u>\$15,180</u></u>



## *CITY OF SYLVANIA, OHIO*

---

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2007*

---

#### **NOTE 13 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. 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 \$500 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.

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 \$50,000 per individual per year up to a maximum of \$5,000,000 per individual per lifetime. 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 \$1,749,618. The claims liability of \$291,891 reported in the Self Insurance Fund at December 31, 2006 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 2006 and 2007 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2006	\$9,553	\$1,755,149	(\$1,503,694)	\$261,008
2007	261,008	1,804,041	(1,773,158)	291,891

## **CITY OF SYLVANIA, OHIO**

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 14 - CONSTRUCTION COMMITMENTS**

As of December 31, 2007, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Boynton Drive Change Order	\$19,105	January 2008
Glasgow Improvements	42,095	October 2008
Acres Road Improvement	84,250	November 2008
Main Street Bridge	181,829	April 2008
Monroe Street Corridor	96,300	June 2008
Sylvania Avenue Signalization	143,883	March 2008
Woodlane Lane Improvements	9,259	August 2008
Total	<u><u>\$576,721</u></u>	

#### **NOTE 15 - 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 16 - 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 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. 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.

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

---

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2007***

---

#### **NOTE 17 – SUBSEQUENT EVENTS**

On April 8, 2008, the City issued its \$7,850,000 Various Purpose Improvement Bonds, Series 2008 (the Series 2008 Bonds) for the purpose of retiring the 2007 outstanding notes and to provide additional money to pay costs of improving certain City streets by removing and replacing pavement, curbing and sidewalks, pouring asphalt concrete over an aggregate base, and improving catch basin, manholes and under drains, together with all necessary related improvements and appurtenances thereto.

On June 25, 2008, the Sylvania Area Joint Recreation District (SAJRD) issued its \$8,979,993 Recreation Facility Bonds, Series 2008 (the SAJRD Bonds) for the purpose of acquiring, constructing, furnishing, equipping and otherwise improving recreational facilities and improving their sites. SAJRD used a portion of the proceeds of the SAJRD Bonds to acquire from the City the buildings and facilities comprising the Tom-O-Shanter sports complex. The City applied the purchase price by SAJRD to discharge the City's then outstanding debt related to its financing of the facilities, included (i) \$100,000 of bonds issued on April 10, 1986, and payable on December 1 of the years 2008 through 2011, (ii) \$840,000 of bonds issued on June 3, 1993, payable on December 1 of the years 2008 through 2013, and (iii) \$2,760,000 of bonds issued on March 28, 2002, and payable on December 1 of the years 2008 through 2027.

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Sylvania  
Lucas County  
6730 Monroe Street  
Sylvania, OH 43560-1948

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvania, Lucas County, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated December 11, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the City's management in a separate letter dated December 11, 2008.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and City Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 11, 2008

**CITY OF SYLVANIA  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2007-001**

**Material Weakness**

**Monitoring Financial Statements**

Accurate financial reporting is the responsibility of the fiscal officer and governing authority and is essential to ensure the information provided to the readers of the financial statements are fairly stated.

The 2007 financial statements contained material errors, such as the following:

- Intergovernmental receipts and capital outlay were overstated in the Capital Improvement Fund by \$596,680
- Taxes receivables were overstated in the Income Tax Fund by \$77,151
- Net original budget estimated receipts and expenditures were overstated in the General Fund, Income Tax Fund and Police Pension Fund by \$384,786, \$680,000 and \$25,000 respectively.

Eight adjusting entries were posted to the financial statements to correct these errors. The financial statements presented have been adjusted to reflect these corrections. In addition, the City's trial balances have been adjusted for the applicable adjustments noted above. To ensure the City's financial statements are complete and accurate, the City Council should adopt policies and procedures, including a final review of the statements, management discussion and analysis, and notes to the financial statements by the Finance Director, City Council and Audit Committee to identify and correct errors and omissions.

**Official's Response**

The adjusting entries recorded during the audit are due to differences in estimates and assumptions while preparing accrual entries, rather than a weakness in our accounting system. We will continue to strive to reduce the number of errors while preparing our financial statements.

**CITY OF SYLVANIA  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Material weakness over health insurance claims processing	Yes	
2006-002	Material Weakness; Monitoring Financial Statements – Financial statements contained material errors requiring audit adjustments.	No	Not corrected, repeated as finding 2007-001 in this report.





Mary Taylor, CPA  
Auditor of State

CITY OF SYLVANIA

LUCAS COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 31, 2008