

*CITY OF SYLVANIA, OHIO*

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**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2008**

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





# Mary Taylor, CPA

Auditor of State

City Council  
City of Sylvania  
6730 Monroe Street  
Sylvania, Ohio 43560-1948

We have reviewed the *Independent Auditors' Report* of the City of Sylvania, Lucas County, prepared by Weber O'Brien Ltd., for the audit period January 1, 2008 to December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 2, 2009

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvania ("City"), as of and for the year ended December 31, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Sylvania as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Police Pension Fund, and Income Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2009, on our consideration of City of Sylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 - 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Wesley O'Brien Ltd*

August 17, 2009



# CITY OF SYLVANIA, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2008*

*Unaudited*

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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, 2008. 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 2008 are as follows:

- ❑ In total, net assets decreased \$579,045. Net assets of governmental activities increased \$90,035, a slight increase from 2007. Net assets of business-type activities decreased \$669,080 from 2007.
- ❑ General revenues accounted for \$14.7 million in revenue or 59% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 41% of total revenues of \$24.9 million.
- ❑ The City had \$19.2 million in expenses related to governmental activities; only \$4.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14.7 million provided for these programs.
- ❑ Among major funds, the general fund had \$11.4 million in revenues which included transfers in from other funds in the amount of \$4.9 million. The general fund had \$11.3 million in expenditures including \$668,703 in transfers out to other funds. The general fund's fund balance increased \$142,773 to \$1,175,996.
- ❑ Net assets for enterprise funds decreased by \$630,324. This decrease resulted primarily from the fact that there was a continued trend from the year before where expenditures exceeded revenue brought into 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

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2008*

*Unaudited*

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## **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, 2008**

**Unaudited**

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provided a comparison of the City's net assets between December 31, 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$33,086,486	\$32,413,185	\$3,273,248	\$3,579,852	\$36,359,734	\$35,993,037
Capital assets, Net	33,844,326	35,616,958	18,282,417	18,537,257	52,126,743	54,154,215
Total assets	66,930,812	68,030,143	21,555,665	22,117,109	88,486,477	90,147,252
Long-term debt outstanding	16,490,957	17,628,721	330,110	305,660	16,821,067	17,934,351
Other liabilities	3,559,523	3,611,125	552,953	469,797	4,112,476	4,080,922
Total liabilities	20,050,480	21,239,846	883,063	775,427	20,933,543	22,015,273
Net assets						
Invested in capital assets, net of related debt	18,839,904	19,569,447	18,282,417	18,537,257	37,122,321	38,106,704
Restricted	26,235,988	25,560,082	0	0	26,235,988	25,560,082
Unrestricted	1,804,440	1,660,768	2,390,185	2,804,425	4,194,625	4,465,193
Total net assets	<u>\$46,880,332</u>	<u>\$46,790,297</u>	<u>\$20,672,602</u>	<u>\$21,341,682</u>	<u>\$67,552,934</u>	<u>\$68,131,979</u>

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## CITY OF SYLVANIA, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2008

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 and 2007:

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services and Sales	\$1,565,409	\$1,611,159	\$5,741,328	\$5,683,603	\$7,306,737	\$7,294,762
Operating Grants and Contributions	2,101,567	1,956,985	0	0	2,101,567	1,956,985
Capital Grants and Contributions	793,480	61,365	0	0	793,480	61,365
<b>Total Program Revenues</b>	<b>4,460,456</b>	<b>3,629,509</b>	<b>5,741,328</b>	<b>5,683,603</b>	<b>10,201,784</b>	<b>9,313,112</b>
<b>General Revenues:</b>						
Property Taxes	1,536,888	1,776,015	0	0	1,536,888	1,776,015
Income Taxes	8,475,399	8,105,646	0	0	8,475,399	8,105,646
Intergovernmental Grant, Unrestricted	2,584,500	1,974,044	0	0	2,584,500	1,974,044
Investment Earnings	1,104,245	1,373,674	112,083	139,221	1,216,328	1,512,895
Miscellaneous	393,308	551,061	0	0	393,308	551,061
Gain on the Sale of Capital Assets	525,786	0	0	0	525,786	0
<b>Total General Revenues</b>	<b>14,620,126</b>	<b>13,780,440</b>	<b>112,083</b>	<b>139,221</b>	<b>14,732,209</b>	<b>13,919,661</b>
<b>Total Revenues</b>	<b>19,080,582</b>	<b>17,409,949</b>	<b>5,853,411</b>	<b>5,822,824</b>	<b>24,933,993</b>	<b>23,232,773</b>
<b>Program Expenses</b>						
Security of Persons and Property	6,218,221	6,393,212	0	0	6,218,221	6,393,212
Public Health and Welfare Services	196,963	204,025	0	0	196,963	204,025
Leisure Time Activities	1,074,180	1,857,148	0	0	1,074,180	1,857,148
Community Environment	815,370	705,403	0	0	815,370	705,403
Basic Utility Services	1,173,173	1,080,267	0	0	1,173,173	1,080,267
Transportation	3,055,889	3,765,466	0	0	3,055,889	3,765,466
General Government	5,723,176	6,059,538	0	0	5,723,176	6,059,538
Interest and Fiscal Charges	960,853	765,207	0	0	960,853	765,207
Water	0	0	3,503,777	3,446,788	3,503,777	3,446,788
Sewer	0	0	2,620,657	3,240,095	2,620,657	3,240,095
Resource Recovery	0	0	170,779	181,068	170,779	181,068
<b>Total Expenses</b>	<b>19,217,825</b>	<b>20,830,266</b>	<b>6,295,213</b>	<b>6,867,951</b>	<b>25,513,038</b>	<b>27,698,217</b>
Change in Net Assets before Transfers	(137,243)	(3,420,317)	(441,802)	(1,045,127)	(579,045)	(4,465,444)
Transfers	227,278	239,533	(227,278)	(239,533)	0	0
<b>Total Change in Net Assets</b>	<b>90,035</b>	<b>(3,180,784)</b>	<b>(669,080)</b>	<b>(1,284,660)</b>	<b>(579,045)</b>	<b>(4,465,444)</b>
Beginning Net Assets, as Restated	46,790,297	49,971,081	21,341,682	22,626,342	68,131,979	72,597,423
<b>Ending Net Assets</b>	<b>\$46,880,332</b>	<b>\$46,790,297</b>	<b>\$20,672,602</b>	<b>\$21,341,682</b>	<b>\$67,552,934</b>	<b>\$68,131,979</b>

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## CITY OF SYLVANIA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Unaudited**

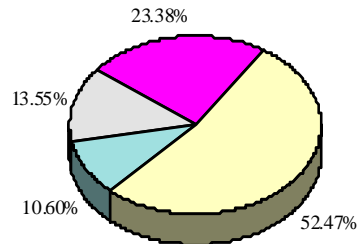
### Governmental Activities

Net assets of the City's governmental activities increased by \$90,035. This was due primarily to an increase in income tax receipts and state grants.

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

Property taxes and income taxes made up 8.1% and 44.4%, respectively, of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 52.47% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
Intergovernmental, Unrestricted	\$2,584,500	13.55%
Program Revenues	4,460,456	23.38%
General Tax Revenues	10,012,287	52.47%
General Other	2,023,339	10.60%
Total Revenue	\$19,080,582	100.00%



### Business-Type Activities

Net assets of the business-type activities decreased by \$669,080. This decrease was a result of an increase in contractual services in the water and sewer funds.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$27,020,434, which is an increase from last year's balance of \$26,216,677. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2008 and 2007:

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase (Decrease)
General	\$1,175,996	\$1,033,223	\$142,773
Police Pension	332,439	291,753	40,686
Income Tax	1,318,938	1,484,482	(165,544)
Capital Improvement	23,202,938	22,406,833	796,105
Other Governmental	990,123	1,000,386	(10,263)
Total	\$27,020,434	\$26,216,677	\$803,757

## **CITY OF SYLVANIA, OHIO**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Unaudited***

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:

	2008	2007	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$2,490,546	\$2,607,986	(\$117,440)
Intergovernmental Revenue	2,194,751	1,978,633	216,118
Charges for Services	455,425	416,533	38,892
Licenses and Permits	166,488	204,504	(38,016)
Fines and Forfeitures	917,619	931,951	(14,332)
Investment Earnings	183,088	185,819	(2,731)
All Other Revenue	111,297	159,541	(48,244)
<b>Total</b>	<b>\$6,519,214</b>	<b>\$6,484,967</b>	<b>\$34,247</b>

General Fund revenues in 2008 increased slightly compared to revenues in fiscal year 2007. The most significant factor contributing to this increase was an increase in income tax revenues and some state shared revenue, offset by a decrease in property taxes.

	2008	2007	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$4,617,171	\$4,491,461	\$125,710
Public Health and Welfare Services	177,218	175,009	2,209
Leisure Time Activities	837,935	796,848	41,087
Community Environment	440,254	402,658	37,596
Basic Utility Services	691,852	544,426	147,426
Transportation	275,419	278,912	(3,493)
General Government	3,611,917	3,429,035	182,882
<b>Total</b>	<b>\$10,651,766</b>	<b>\$10,118,349</b>	<b>\$533,417</b>

General Fund expenditures increased by \$533,417 or 5.3% over the prior year mostly due to increases in wages and benefits and 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 2008 the City amended its General Fund budget several times, none significant.

## CITY OF SYLVANIA, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2008*

*Unaudited*

For the General Fund, final budget basis revenue of \$11.4 million did not significantly change from the original budget estimates. The General Fund had a fund balance to cover expenditures.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of 2008 the City had \$52,126,743 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$33,844,326 was related to governmental activities and \$18,282,417 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	Restated 2007	
Land	\$9,046,429	\$8,899,729	\$146,700
Construction in Progress	0	14,700	(14,700)
Land Improvements	1,498,031	1,498,031	0
Buildings	8,312,307	15,547,000	(7,234,693)
Machinery and Equipment	6,197,338	6,206,409	(9,071)
Infrastructure	25,781,768	23,614,091	2,167,677
Less: Accumulated Depreciation	(16,991,547)	(20,163,002)	3,171,455
Totals	\$33,844,326	\$35,616,958	(\$1,772,632)

	Business-Type Activities		Increase (Decrease)
	2008	Restated 2007	
Land	\$7,456	\$7,456	\$0
Buildings	631,067	567,052	64,015
Machinery and Equipment Improvements	1,519,234	1,499,266	19,968
	35,047,565	34,670,434	377,131
Less: Accumulated Depreciation	(18,922,905)	(18,206,951)	(715,954)
Totals	\$18,282,417	\$18,537,257	(\$254,840)

As of December 31, 2008, the City has contractual commitments of \$676,793 for several road improvement projects. Additional information on the City's capital assets can be found in Note 9.

## **CITY OF SYLVANIA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Unaudited***

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### ***Debt***

At December 31, 2008, the City had \$14.7 million in bonds outstanding, \$720,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bonds	\$14,720,000	\$11,207,750
Special Assessment Bonds	0	17,250
Promissory Notes	276,832	307,331
Capital Lease Payable	7,590	15,180
Long-Term Note Payable	0	4,500,000
Compensated Absences	1,486,535	1,581,210
Total Governmental Activities	<u>16,490,957</u>	<u>17,628,721</u>
Business-Type Activities:		
Compensated Absences	330,110	305,630
Total Business-Type Activities	<u>330,110</u>	<u>305,630</u>
Totals	<u>\$16,821,067</u>	<u>\$17,934,351</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, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

### **ECONOMIC FACTORS**

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

Wage increases averaged about 3.50 percent in 2008; 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.



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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Unaudited***

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### **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.

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**CITY OF SYLVANIA, OHIO**

**Statement of Net Assets**  
**December 31, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,901,752	\$ 200,111	\$ 4,101,863
Investments	22,441,103	2,375,896	24,816,999
Receivables:			
Taxes	2,843,631	0	2,843,631
Accounts	169,562	501,911	671,473
Intergovernmental	1,485,472	0	1,485,472
Interest	47,158	4,947	52,105
Special Assessments	409,442	0	409,442
Internal Balances	32,258	(32,258)	0
Inventory of Supplies at Cost	612,782	199,888	812,670
Prepaid Items	68,263	22,753	91,016
Investment in Joint Venture	1,074,000	0	1,074,000
Restricted Assets:			
Cash and Cash Equivalents	1,063	0	1,063
Capital Assets:			
Capital Assets Not Being Depreciated	9,046,429	7,456	9,053,885
Capital Assets Being Depreciated, Net	24,797,897	18,274,961	43,072,858
<b>Total Assets</b>	<u>66,930,812</u>	<u>21,555,665</u>	<u>88,486,477</u>
<b>Liabilities:</b>			
Accounts Payable	1,236,312	508,741	1,745,053
Accrued Wages and Benefits	389,914	44,212	434,126
Claims Payable	284,400	0	284,400
Unearned Revenue	1,595,036	0	1,595,036
Accrued Interest Payable	53,861	0	53,861
Noncurrent liabilities:			
Due within one year	894,252	24,796	919,048
Due in more than one year	15,596,705	305,314	15,902,019
<b>Total Liabilities</b>	<u>20,050,480</u>	<u>883,063</u>	<u>20,933,543</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	18,839,904	18,282,417	37,122,321
Restricted For:			
Capital Projects	23,301,382	0	23,301,382
Debt Service	140,769	0	140,769
Other Purposes	2,793,837	0	2,793,837
Unrestricted	1,804,440	2,390,185	4,194,625
<b>Total Net Assets</b>	<u>\$ 46,880,332</u>	<u>\$ 20,672,602</u>	<u>\$ 67,552,934</u>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2008**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 6,218,221	\$ 3,905	\$ 538,710	\$ 0
Public Health and Welfare Services	196,963	15,431	0	0
Leisure Time Activities	1,074,180	0	0	0
Community Environment	815,370	20,819	221,566	0
Basic Utility Services	1,173,173	400,854	221,132	0
Transportation	3,055,889	7,071	1,092,828	637,827
General Government	5,723,176	1,117,329	27,331	155,653
Interest and Fiscal Charges	960,853	0	0	0
<b>Total Governmental Activities</b>	<b>19,217,825</b>	<b>1,565,409</b>	<b>2,101,567</b>	<b>793,480</b>
<b>Business-Type Activities:</b>				
Water	3,503,777	3,372,060	0	0
Sewer	2,620,657	2,296,832	0	0
Resource Recovery	170,779	72,436	0	0
<b>Total Business-Type Activities</b>	<b>6,295,213</b>	<b>5,741,328</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 25,513,038</b>	<b>\$ 7,306,737</b>	<b>\$ 2,101,567</b>	<b>\$ 793,480</b>

**General Revenues**

- Property Taxes
- Municipal Income Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Gain on Sale of Capital Assets
- Transfers
- Total General Revenues and Transfers
- Change in Net Assets
- Net Assets Beginning of Year, as Restated
- Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,675,606)	\$ 0	\$ (5,675,606)
(181,532)	0	(181,532)
(1,074,180)	0	(1,074,180)
(572,985)	0	(572,985)
(551,187)	0	(551,187)
(1,318,163)	0	(1,318,163)
(4,422,863)	0	(4,422,863)
<u>(960,853)</u>	<u>0</u>	<u>(960,853)</u>
<u>(14,757,369)</u>	<u>0</u>	<u>(14,757,369)</u>
0	(131,717)	(131,717)
0	(323,825)	(323,825)
<u>0</u>	<u>(98,343)</u>	<u>(98,343)</u>
<u>0</u>	<u>(553,885)</u>	<u>(553,885)</u>
<u>(14,757,369)</u>	<u>(553,885)</u>	<u>(15,311,254)</u>
1,536,888	0	1,536,888
8,475,399	0	8,475,399
2,584,500	0	2,584,500
1,104,245	112,083	1,216,328
393,308	0	393,308
525,786	0	525,786
<u>227,278</u>	<u>(227,278)</u>	<u>0</u>
<u>14,847,404</u>	<u>(115,195)</u>	<u>14,732,209</u>
90,035	(669,080)	(579,045)
<u>46,790,297</u>	<u>21,341,682</u>	<u>68,131,979</u>
<u>\$ 46,880,332</u>	<u>\$ 20,672,602</u>	<u>\$ 67,552,934</u>

**CITY OF SYLVANIA, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2008**

	General	Police Pension	Income Tax	Capital Improvement
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 36,980	\$ 465,623	\$ 696,594	\$ 1,798,377
Investments	452,157	0	0	21,988,946
Receivables:				
Taxes	1,339,856	502,194	801,296	200,285
Accounts	159,392	0	0	0
Intergovernmental	936,604	32,083	0	6,662
Interest	941	0	0	45,786
Special Assessments	0	0	0	0
Inventory of Supplies, at Cost	414,768	0	0	0
Prepaid Items	52,740	0	1,831	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
<b>Total Assets</b>	<b>\$ 3,393,438</b>	<b>\$ 999,900</b>	<b>\$ 1,499,721</b>	<b>\$ 24,040,056</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 316,813	\$ 0	\$ 6,316	\$ 780,687
Accrued Wages and Benefits Payable	205,313	133,184	8,872	0
Deferred Revenue	1,662,206	534,277	164,811	56,431
Compensated Absences Payable	33,110	0	784	0
<b>Total Liabilities</b>	<b>2,217,442</b>	<b>667,461</b>	<b>180,783</b>	<b>837,118</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	33,090	0	370	379,332
Reserved for Prepaid Items	52,740	0	1,831	0
Reserved for Supplies Inventory	414,768	0	0	0
Reserved for Endowments	0	0	0	0
Undesignated/Unreserved in:				
General Fund	675,398	0	0	0
Special Revenue Funds	0	332,439	1,316,737	0
Debt Service Funds	0	0	0	0
Capital Projects Funds	0	0	0	22,823,606
<b>Total Fund Balances</b>	<b>1,175,996</b>	<b>332,439</b>	<b>1,318,938</b>	<b>23,202,938</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,393,438</b>	<b>\$ 999,900</b>	<b>\$ 1,499,721</b>	<b>\$ 24,040,056</b>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 771,919	\$ 3,769,493
0	22,441,103
0	2,843,631
10,170	169,562
510,123	1,485,472
431	47,158
409,442	409,442
198,014	612,782
12,763	67,334
1,063	1,063
\$ 1,913,925	\$ 31,847,040
\$ 127,179	\$ 1,230,995
36,689	384,058
752,473	3,170,198
7,461	41,355
923,802	4,826,606
14,283	427,075
12,763	67,334
198,014	612,782
1,063	1,063
0	675,398
544,453	2,193,629
177,534	177,534
42,013	22,865,619
990,123	27,020,434
\$ 1,913,925	\$ 31,847,040

**CITY OF SYLVANIA, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2008***

---

<b>Total Governmental Fund Balances</b>	\$ 27,020,434
<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.	33,794,593
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.	1,575,162
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.	(101,913)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,481,944)</u>
<b><i>Net Assets of Governmental Funds</i></b>	<b><u><u>\$ 46,880,332</u></u></b>

See accompanying notes to the basic financial statements



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**CITY OF SYLVANIA, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2008**

	General	Police Pension	Income Tax	Capital Improvement
<b>Revenues:</b>				
Property Taxes	\$ 1,082,695	\$ 473,432	\$ 0	\$ 0
Municipal Income Taxes	1,407,851	0	5,632,600	1,407,844
Intergovernmental Revenues	2,194,751	62,993	0	587,437
Charges for Services	455,425	0	0	0
Licenses, Permits and Fees	166,488	0	0	0
Investment Earnings	183,088	0	0	976,228
Special Assessments	0	0	0	0
Fines and Forfeitures	917,619	0	0	0
All Other Revenue	111,297	0	779	148,991
<b>Total Revenue</b>	<b>6,519,214</b>	<b>536,425</b>	<b>5,633,379</b>	<b>3,120,500</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,617,171	495,739	0	0
Public Health and Welfare Services	177,218	0	0	0
Leisure Time Activities	837,935	0	0	0
Community Environment	440,254	0	0	0
Basic Utility Services	691,852	0	0	0
Transportation	275,419	0	0	0
General Government	3,611,917	0	758,923	0
Capital Outlay	0	0	0	4,941,266
Debt Service:				
Principal Retirement	0	0	0	4,530,499
Interest & Fiscal Charges	0	0	0	204,211
<b>Total Expenditures</b>	<b>10,651,766</b>	<b>495,739</b>	<b>758,923</b>	<b>9,675,976</b>
Excess (Deficiency) of Revenues Over Expenditures	(4,132,552)	40,686	4,874,456	(6,555,476)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	0	4,379,762
General Obligation Bonds Issued	0	0	0	7,850,000
Transfers In	4,890,000	0	0	3,850,000
Transfers Out	(668,703)	0	(5,040,000)	(4,888,583)
Payments to Refunding Bond Escrow Agent	0	0	0	(3,839,598)
<b>Total Other Financing Sources (Uses)</b>	<b>4,221,297</b>	<b>0</b>	<b>(5,040,000)</b>	<b>7,351,581</b>
Net Change in Fund Balances	88,745	40,686	(165,544)	796,105
<b>Fund Balances at Beginning of Year</b>	<b>1,033,223</b>	<b>291,753</b>	<b>1,484,482</b>	<b>22,406,833</b>
Increase in Inventory Reserve	54,028	0	0	0
<b>Fund Balances End of Year</b>	<b>\$ 1,175,996</b>	<b>\$ 332,439</b>	<b>\$ 1,318,938</b>	<b>\$ 23,202,938</b>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 1,556,127
0	8,448,295
1,152,108	3,997,289
0	455,425
0	166,488
(13,736)	1,145,580
675,837	675,837
141,055	1,058,674
127,271	388,338
<u>2,082,535</u>	<u>17,892,053</u>
397,900	5,510,810
0	177,218
0	837,935
280,246	720,500
364,910	1,056,762
1,592,253	1,867,672
236,260	4,607,100
52,816	4,994,082
662,590	5,193,089
609,394	813,605
<u>4,196,369</u>	<u>25,778,773</u>
(2,113,834)	(7,886,720)
0	4,379,762
0	7,850,000
2,177,560	10,917,560
(90,000)	(10,687,286)
0	(3,839,598)
<u>2,087,560</u>	<u>8,620,438</u>
(26,274)	733,718
1,000,386	26,216,677
16,011	70,039
<u>\$ 990,123</u>	<u>\$ 27,020,434</u>

**CITY OF SYLVANIA, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2008***

---

**Net Change in Fund Balances - Total Governmental Funds** \$ 733,718

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,548,093
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.	(483,067)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	637,827
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	24,916
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.	(2,287,532)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(7,650)
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.	48,641
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.	(124,911)
<b><i>Change in Net Assets of Governmental Activities</i></b>	<u>\$ 90,035</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, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 1,086,000	\$ 1,082,695	\$ 1,082,695	\$ 0
Municipal Income Taxes	1,497,000	1,413,617	1,413,617	0
Intergovernmental Revenue	1,730,200	2,129,232	2,129,232	0
Charges for Services	457,000	454,922	454,922	0
Licenses, Permits and Fees	194,500	162,676	162,676	0
Investment Earnings	187,000	182,804	182,804	0
Fines and Forfeitures	963,700	919,771	919,771	0
All Other Revenues	<u>150,000</u>	<u>128,104</u>	<u>128,661</u>	<u>557</u>
Total Revenues	<u>6,265,400</u>	<u>6,473,821</u>	<u>6,474,378</u>	<u>557</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,418,307	4,767,725	4,765,758	1,967
Public Health and Welfare Services	179,920	168,820	166,168	2,652
Leisure Time Activities	805,430	848,143	848,014	129
Community Environment	360,215	494,000	493,430	570
Basic Utility Services	678,550	687,005	686,975	30
Transportation	257,217	281,792	281,471	321
General Government	<u>3,795,255</u>	<u>3,701,300</u>	<u>3,688,636</u>	<u>12,664</u>
Total Expenditures	<u>10,494,894</u>	<u>10,948,785</u>	<u>10,930,452</u>	<u>18,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,229,494)	(4,474,964)	(4,456,074)	18,890
<b>Other Financing Sources (Uses):</b>				
Transfers In	5,130,249	4,890,000	4,890,000	0
Transfers Out	<u>(887,755)</u>	<u>(710,060)</u>	<u>(668,703)</u>	<u>41,357</u>
Total Other Financing Sources (Uses):	<u>4,242,494</u>	<u>4,179,940</u>	<u>4,221,297</u>	<u>41,357</u>
Net Change In Fund Balance	13,000	(295,024)	(234,777)	60,247
Fund Balance at Beginning of Year	622,805	622,805	622,805	0
Prior Year Encumbrances	<u>46,430</u>	<u>46,430</u>	<u>46,430</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 682,235</u>	<u>\$ 374,211</u>	<u>\$ 434,458</u>	<u>\$ 60,247</u>

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund - Police Pension Fund  
For the Year Ended December 31, 2008**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 463,000	\$ 473,432	\$ 473,432	\$ 0
Intergovernmental Revenue	52,000	62,993	62,993	0
Total Revenues	515,000	536,425	536,425	0
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	471,000	502,310	502,306	4
Total Expenditures	471,000	502,310	502,306	4
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,000	34,115	34,119	4
Fund Balance at Beginning of Year	431,504	431,504	431,504	0
Fund Balance at End of Year	\$ 475,504	\$ 465,619	\$ 465,623	\$ 4

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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Municipal Income Taxes	\$ 5,980,000	\$ 5,655,318	\$ 5,655,539	\$ 221
All Other Revenues	1,000	1,000	779	(221)
Total Revenues	5,981,000	5,656,318	5,656,318	0
<b>Expenditures:</b>				
Current:				
General Government	727,510	811,892	778,144	33,748
Total Expenditures	727,510	811,892	778,144	33,748
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,253,490	4,844,426	4,878,174	33,748
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(5,040,942)	(5,040,942)	(5,040,000)	942
Total Other Financing Sources (Uses):	(5,040,942)	(5,040,942)	(5,040,000)	942
Net Change In Fund Balance	212,548	(196,516)	(161,826)	34,690
Fund Balance at Beginning of Year	854,943	854,943	854,943	0
Prior Year Encumbrances	3,107	3,107	3,107	0
Fund Balance at End of Year	\$ 1,070,598	\$ 661,534	\$ 696,224	\$ 34,690

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 66,765	\$ 127,549	\$ 5,797
Investments	816,339	1,559,557	0
Accounts Receivable	283,898	218,013	0
Interest Receivable	1,700	3,247	0
Inventory of Supplies at Cost	154,185	45,703	0
Prepaid Items	11,909	10,382	462
Total current assets	<u>1,334,796</u>	<u>1,964,451</u>	<u>6,259</u>
Noncurrent assets:			
Capital assets:			
Property, Plant and Equipment	12,040,558	24,962,745	202,019
Less accumulated depreciation	<u>(5,462,269)</u>	<u>(13,258,617)</u>	<u>(202,019)</u>
Total capital assets	<u>6,578,289</u>	<u>11,704,128</u>	<u>0</u>
(net of accumulated depr)	<u>6,578,289</u>	<u>11,704,128</u>	<u>0</u>
Total assets	<u>7,913,085</u>	<u>13,668,579</u>	<u>6,259</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	200,515	295,866	12,360
Accrued Wages and Benefits	26,132	17,756	324
Claims Payable	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>226,647</u>	<u>313,622</u>	<u>12,684</u>
Noncurrent Liabilities:			
Compensated Absences Payable	<u>204,274</u>	<u>125,836</u>	<u>0</u>
Total noncurrent liabilities	<u>204,274</u>	<u>125,836</u>	<u>0</u>
<b>Total Liabilities</b>	<u>430,921</u>	<u>439,458</u>	<u>12,684</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	6,578,289	11,704,128	0
Unrestricted	<u>903,875</u>	<u>1,524,993</u>	<u>(6,425)</u>
Total Net Assets	<u>\$ 7,482,164</u>	<u>\$ 13,229,121</u>	<u>\$ (6,425)</u>

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

See accompanying notes to the basic financial statements



**CITY OF SYLVANIA, OHIO**

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Total	Governmental Activities Internal Service Funds
\$ 200,111	\$ 132,259
2,375,896	0
501,911	0
4,947	0
199,888	0
22,753	929
3,305,506	133,188
37,205,322	94,801
(18,922,905)	(45,068)
18,282,417	49,733
21,587,923	182,921
508,741	5,317
44,212	5,856
0	284,400
552,953	295,573
330,110	21,519
330,110	21,519
883,063	317,092
18,282,417	49,733
2,422,443	(183,904)
20,704,860	\$ (134,171)
(32,258)	
\$ 20,672,602	

**CITY OF SYLVANIA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<b>Operating Revenues:</b>			
Charges for Services	\$ 3,303,170	\$ 2,224,625	\$ 72,436
Other Operating Revenues	68,890	72,207	0
<b>Total Operating Revenues</b>	<u>3,372,060</u>	<u>2,296,832</u>	<u>72,436</u>
<b>Operating Expenses:</b>			
Personal Services	900,175	779,626	81,293
Materials and Supplies	162,320	105,876	29,114
Contractual Services	2,171,086	1,239,552	60,368
Depreciation	249,925	477,122	0
<b>Total Operating Expenses</b>	<u>3,483,506</u>	<u>2,602,176</u>	<u>170,775</u>
<b>Operating Loss</b>	(111,446)	(305,344)	(98,339)
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	32,229	79,854	0
Other Nonoperating Revenue	0	0	0
<b>Total Non-Operating Revenues (Expenses)</b>	<u>32,229</u>	<u>79,854</u>	<u>0</u>
<b>Loss Before Transfers</b>	(79,217)	(225,490)	(98,339)
<b>Transfers:</b>			
Transfers In	0	0	95,260
Transfers Out	(72,369)	(250,169)	0
<b>Total Transfers</b>	<u>(72,369)</u>	<u>(250,169)</u>	<u>95,260</u>
<b>Change in Net Assets</b>	(151,586)	(475,659)	(3,079)
Net Assets Beginning of Year, as Restated	7,633,750	13,704,780	(3,346)
<b>Net Assets End of Year</b>	<u>\$ 7,482,164</u>	<u>\$ 13,229,121</u>	<u>\$ (6,425)</u>

Change in Net Assets - Total Enterprise Funds

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

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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Total	Governmental Activities Internal Service Funds
\$ 5,600,231	\$ 1,865,299
141,097	0
5,741,328	1,865,299
1,761,094	1,656,633
297,310	104,403
3,471,006	323,304
727,047	23,180
6,256,457	2,107,520
(515,129)	(242,221)
112,083	0
0	81,550
112,083	81,550
(403,046)	(160,671)
95,260	0
(322,538)	(2,996)
(227,278)	(2,996)
(630,324)	(163,667)
21,335,184	29,496
20,704,860	\$ (134,171)
(630,324)	
(38,756)	
\$ (669,080)	

**CITY OF SYLVANIA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,379,722	\$2,335,501	\$72,436
Cash Payments for Goods and Services	(2,192,445)	(1,387,295)	(80,083)
Cash Payments to Employees	(918,152)	(782,990)	(84,135)
Net Cash Provided (Used) by Operating Activities	<u>269,125</u>	<u>165,216</u>	<u>(91,782)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	95,260
Transfers Out to Other Funds	(72,369)	(250,169)	0
Miscellaneous Nonoperating Revenue	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(72,369)</u>	<u>(250,169)</u>	<u>95,260</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(300,836)	(156,891)	0
Net Cash Used for Capital and Related Financing Activities	<u>(300,836)</u>	<u>(156,891)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	67,813	152,189	0
Purchase of Investments	0	0	0
Receipts of Interest	31,567	78,828	0
Net Cash Provided (Used) by Investing Activities	<u>99,380</u>	<u>231,017</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,700)	(10,827)	3,478
Cash and Cash Equivalents at Beginning of Year	<u>71,465</u>	<u>138,376</u>	<u>2,319</u>
Cash and Cash Equivalents at End of Year	<u>\$66,765</u>	<u>\$127,549</u>	<u>\$5,797</u>

**CITY OF SYLVANIA, OHIO**

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Totals	Governmental Activities Internal Service Funds
\$5,787,659	\$1,865,299
(3,659,823)	(428,051)
(1,785,277)	(1,641,926)
342,559	(204,678)
95,260	0
(322,538)	(2,996)
0	81,550
(227,278)	78,554
(457,727)	(13,242)
(457,727)	(13,242)
220,002	0
0	0
110,395	0
330,397	0
(12,049)	(139,366)
212,160	271,625
\$200,111	\$132,259

(Continued)

**CITY OF SYLVANIA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$111,446)	(\$305,344)	(\$98,339)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	249,925	477,122	0
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	7,662	38,669	0
Decrease (Increase) in Inventory	(16,537)	5,947	0
Decrease (Increase) in Prepaid Items	1,416	342	(14)
Increase (Decrease) in Accounts Payable	156,146	(48,192)	9,413
Increase (Decrease) in Accrued Wages and Benefits	(23,102)	(22,747)	(2,842)
Decrease in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences	5,061	19,419	0
Total Adjustments	<u>380,571</u>	<u>470,560</u>	<u>6,557</u>
Net Cash Provided (Used) by Operating Activities	<u>\$269,125</u>	<u>\$165,216</u>	<u>(\$91,782)</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2008, the Water Fund and the Information Technology Fund (Internal Service Fund) had outstanding liabilities of \$14,480 and \$4,672 respectively for the purchase of certain capital assets.

During 2008 the fair value of investments increased by \$8,154 and \$15,577 in the Water and Sewer Funds respectively.

See accompanying notes to the basic financial statements

**CITY OF SYLVANIA, OHIO**

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Totals	Governmental Activities Internal Service Funds
(\$515,129)	(\$242,221)
727,047	23,180
46,331	0
(10,590)	0
1,744	50
117,367	(419)
(48,691)	704
0	(7,491)
24,480	21,519
857,688	37,543
\$342,559	(\$204,678)

**CITY OF SYLVANIA, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Fund  
December 31, 2008***

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 51,975
<b>Total Assets</b>	<u>51,975</u>
<b>Liabilities:</b>	
Due to Others	51,975
<b>Total Liabilities</b>	<u>\$ 51,975</u>

See accompanying notes to the basic financial statements



## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2008 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 18 "Joint Venture."

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

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

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

The SAJRD has operated the Tam O'Shanter ice skating complex under an agreement with the City until 2008. The terms of the agreement required 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 2008 from the SAJRD was \$53,805 for debt service. During 2008, the Tam O'Shanter ice skating complex was sold by the City to the SAJRD through a defeasance of the original debt issued by the City for the construction of the facility (See Note 13).

##### **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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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

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

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

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

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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

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

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

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

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

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

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

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

Special assessment installments which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2008, but which are not intended to finance 2008 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

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

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

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

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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 2008.

###### **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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **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.

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**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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

**E. Budgetary Process (Continued)**

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

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

	Net Change In Fund Balance		
	General Fund	Police Pension Fund	Income Tax Fund
GAAP Basis (as reported)	\$88,745	\$40,686	(\$165,544)
Increase (Decrease):			
Accrued Revenues at December 31, 2008 received during 2009	(779,103)	0	(636,485)
Accrued Revenues at December 31, 2007 received during 2008	734,267	0	659,424
Accrued Expenditures at December 31, 2008 paid during 2009	555,236	133,184	15,972
Accrued Expenditures at December 31, 2007 paid during 2008	(785,986)	(139,751)	(34,732)
2007 Prepays for 2008	54,967	0	1,740
2008 Prepays for 2009	(52,740)	0	(1,831)
Outstanding Encumbrances	(50,163)	0	(370)
Budget Basis	(\$234,777)	\$34,119	(\$161,826)

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), and investments with original maturities of less than three months. The STAR Ohio is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments."

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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 2008, investments were limited to Certificates of Deposit, STAR Ohio, United States Treasury Notes, Sylvania Township Notes and the Toledo Community Foundation, Inc. Mutual Funds. See Note 5, "Cash, Cash Equivalents and Investments."

Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$183,088, which includes \$179,991 assigned from other City funds.

The City has invested funds in the STAR Ohio during 2008. 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, 2008.

##### **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, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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

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

**3. Depreciation**

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

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

**K. Long-Term Obligations**

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

Obligation	Fund
General Obligation Bonds	General Obligation Debt Service Fund
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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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**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 2008.

**NOTE 2 – PRIOR PERIOD ADJUSTMENT**

During the year ended December 31, 2007, the City determined that it had erroneously calculated depreciation on certain capital assets based on incorrect estimated useful lives. This increased the accumulated depreciation associated with these capital assets. The adjustment had the following effect on the following beginning fund balances:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Fund Balance December 31, 2007 as reported	\$7,629,758	\$14,075,187
Adjustments:		
Restate Capital Assets	<u>3,992</u>	<u>(370,407)</u>
Fund Balance December 31, 2007 as restated	<u><u>\$7,633,750</u></u>	<u><u>\$13,704,780</u></u>

The adjustments had the following effect on the governmental activities and the business-type activities beginning net assets:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net Assets December 31, 2007 as reported	\$48,860,559	\$21,708,097
Adjustments:		
Restate Capital Assets	<u>(2,070,262)</u>	<u>(366,415)</u>
Net Assets December 31, 2007 as restated	<u><u>\$46,790,297</u></u>	<u><u>\$21,341,682</u></u>

**CITY OF SYLVANIA, OHIO**

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*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008*

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**NOTE 3 – 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	\$247,201
Delinquent Property Tax Revenue	46,728
Shared Revenues	850,039
Interest Revenues	15,549
Special Assessment Revenue	415,645
	<hr/>
	\$1,575,162

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

General Obligation Bonds Payable	(\$14,720,000)
Capital Lease Payable	(7,590)
Promissory Notes Payable	(276,832)
Accrued Interest on Long-Term Debt	(53,861)
Compensated Absences Payable	(1,423,661)
	<hr/>
	(\$16,481,944)

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**CITY OF SYLVANIA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

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

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

Capital Outlay	\$3,182,493
Depreciation Expense	<u>(1,634,400)</u>
	\$1,548,093

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$27,104
Decrease in Delinquent Property Tax	(19,239)
Increase in Shared Revenue	905
Decrease in Interest Revenue	(41,335)
Increase in Special Assessment Revenue	<u>57,481</u>
	\$24,916

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

Decrease in Compensated Absences Payable	\$118,200
Interest Payment to Bond Escrow Agent	(139,598)
Increase in supplies inventory	<u>70,039</u>
	\$48,641

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

S.A. Bond Principal Payment	\$17,250
G.O. Bond Principal Payment	637,750
Long-Term Note Principal Payment	4,500,000
Capital Lease Principal Payment	7,590
Promissory Note Principal Payment	30,499
G.O. Bond Proceeds	(7,850,000)
Payment to Refunded Bond Escrow Agent	3,839,598
Net Value of Assets Sold through Defeasance	<u>(3,470,219)</u>
	(\$2,287,532)

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 4 - COMPLIANCE AND ACCOUNTABILITY**

***Fund Deficits*** - The fund deficits at December 31, 2008 of \$16,107 in the City Services Fund (special revenue fund), \$220,457 in the Self-Insurance Fund (internal service fund) and \$6,425 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.

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

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

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

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

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

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;

**CITY OF SYLVANIA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**A. Deposits**

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

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 \$7,554,390 and the bank balance was \$7,661,515. Federal depository insurance covered \$1,000,000 of the bank balance and \$6,661,515 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$6,661,515</u>
Total Balance	<u><u>\$6,661,515</u></u>

**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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

**B. Investments**

The City's investments at December 31, 2008 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)	\$29,759	\$29,759	\$0	\$0	\$0
STAR Ohio	2,570,752	2,570,752	0	0	0
Sylvania Township Bonds	880,000	45,000	100,000	110,000	625,000
FNMA	4,329,008	2,773,905	1,555,103	0	0
FHLMC	848,546	270,301	292,056	286,189	0
FHLB	7,607,326	5,039,556	2,567,770	0	0
FFCB	666,505	0	666,505	0	0
Freddie MAC	3,684,465	2,951,113	733,352	0	0
U.S. Treasury Bills	801,149	0	801,149	0	0
<b>Total Investments</b>	<b>\$21,417,510</b>	<b>\$13,680,386</b>	<b>\$6,715,935</b>	<b>\$396,189</b>	<b>\$625,000</b>

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

*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 \$3,684,465, \$4,329,008, \$666,505, \$848,546 and \$7,607,326, 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

*Concentration of Credit Risk* – Of the City’s investments, 3.1% are FFCB, 20.2% are FNMA, 3.9% are FHLMC, 35.5% are FHLB, and 17.2% 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 6 - TAXES**

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, 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 2006 and the equalization adjustment was completed in 2009. 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of January 1, 2007. 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 12.5% for 2007. This percentage will be reduced to 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 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, 2008 was \$3.60 per \$1,000 of assessed value. The assessed value upon which the 2008 receipts were based was \$490,185,629. This amount constitutes \$479,518,860 in real property assessed value, \$5,130,600 in public utility assessed value and \$5,536,169 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**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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**NOTE 6 - TAXES (Continued)**

**B. Income Tax**

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

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

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2008 consisted of taxes, intergovernmental receivables, special assessments, accounts receivable and interest.

**NOTE 8 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2008:

	Transfers In:				Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Resource Recovery Fund	
Transfers Out:					
General Fund	\$0	\$0	\$573,443	\$95,260	\$668,703
Income Tax Fund	1,190,000	3,850,000	0	0	5,040,000
Capital Improvement Fund	3,700,000	0	1,188,583	0	4,888,583
Nonmajor Governmental Funds	0	0	90,000	0	90,000
Water Fund	0	0	72,369	0	72,369
Sewer Fund	0	0	250,169	0	250,169
Internal Service Funds	0	0	2,996	0	2,996
	<u>\$4,890,000</u>	<u>\$3,850,000</u>	<u>\$2,177,560</u>	<u>\$95,260</u>	<u>\$11,012,820</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, 2008**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2008:

**Historical Cost:**

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$8,899,729	\$291,900	(\$145,200)	\$9,046,429
Construction in Progress	14,700	0	(14,700)	0
<i>Capital assets being depreciated:</i>				
Land Improvements	1,498,031	0	0	1,498,031
Buildings	15,547,000	252,827	(7,487,520)	8,312,307
Machinery and Equipment	6,206,409	700,988	(710,059)	6,197,338
Infrastructure	23,614,091	2,587,966	(420,289)	25,781,768
Total Cost	<u>\$55,779,960</u>	<u>\$3,833,681</u>	<u>(\$8,777,768)</u>	<u>\$50,835,873</u>
 <i>Accumulated Depreciation:</i>				
Class	As Restated December 31, 2007	Additions	Deletions	December 31, 2008
Land Improvements	(\$777,837)	(\$76,379)	\$0	(\$854,216)
Buildings	(7,224,259)	(382,719)	3,919,309	(3,687,669)
Machinery and Equipment	(3,648,089)	(542,534)	580,323	(3,610,300)
Infrastructure	(8,512,817)	(647,524)	320,979	(8,839,362)
Total Depreciation	<u>(\$20,163,002)</u>	<u>(\$1,649,156) *</u>	<u>\$4,820,611</u>	<u>(\$16,991,547)</u>
<i>Net Value:</i>	<u>\$35,616,958</u>			<u>\$33,844,326</u>

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

Security of Persons and Property	\$119,571
Leisure Time Activities	137,964
Community Environment	10,363
Transportation	804,489
General Government	576,769
Total Depreciation Expense	<u>\$1,649,156</u>



**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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

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

Summary by Category at December 31, 2008:

*Historical Cost:*

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$7,456	\$0	\$0	\$7,456
<i>Capital assets being depreciated:</i>				
Buildings	567,052	64,015	0	631,067
Machinery and Equipment	1,499,266	31,061	(11,093)	1,519,234
Improvements	34,670,434	377,131	0	35,047,565
Total Cost	<u>\$36,744,208</u>	<u>\$472,207</u>	<u>(\$11,093)</u>	<u>\$37,205,322</u>

*Accumulated Depreciation:*

Class	As Restated December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$561,639)	(\$1,094)	\$0	(\$562,733)
Machinery and Equipment	(1,312,125)	(59,558)	11,093	(1,360,590)
Improvements	(16,333,187)	(666,395)	0	(16,999,582)
Total Depreciation	<u>(\$18,206,951)</u>	<u>(\$727,047)</u>	<u>\$11,093</u>	<u>(\$18,922,905)</u>
<i>Net Value:</i>	<u>\$18,537,257</u>			<u>\$18,282,417</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by 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 ORC provides statutory authority for employee and employer contributions. For 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$766,923, \$711,089 and \$695,594, respectively, which were equal to the required contributions for each year.

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

All City full-time police officers participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 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. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 12.75% of annual covered salary for police was the portion used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$495,738, \$483,796 and \$457,928 for police, which were equal to the required contributions for each year.

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by 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.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$383,461, \$282,381 and \$228,480, respectively, which were equal to the required contributions for each year.

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

## *CITY OF SYLVANIA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2008, 2007, and 2006 were \$171,602, \$167,468 and \$181,997 for police, which were equal to the required contributions for each year.

***CITY OF SYLVANIA, OHIO***

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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**NOTE 12 – COMPENSATED ABSENCES**

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

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

At December 31, 2008, the City's accumulated, unpaid compensated absences amounted to \$1,816,645, of which \$1,486,535 is recorded as a liability of the Governmental Activities and \$330,110 is recorded as a liability of the Business-Type Activities.

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**CITY OF SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**NOTE 13 - LONG-TERM DEBT**

Long-term debt and other long-term obligations of the City at December 31, 2008 were as follows:

		Balance December 31, 2007	Additions	(Reductions)	Balance December 31, 2008	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
7.000% Maintenance Building Bonds	1986	140,000	0	(35,000)	105,000	35,000
7.000% Recreational Facilities	1986	100,000	0	(100,000)	0	0
5.304% Recreational Facility	1993	840,000	0	(840,000)	0	0
3.8-4.9% Municipal Building Improvement Recreational Facilities	1997	620,000	0	(200,000)	420,000	205,000
4.25-5.0% Street Improvement	1998	1,462,750	0	(157,750)	1,305,000	105,000
3.0-5.05% Senior Center/Field House	2002	3,370,000	0	(2,790,000)	580,000	30,000
3.5-4.45% Street Improvement	2004	4,675,000	0	(215,000)	4,460,000	220,000
3.5-4.00% Various Improvements	2008	0	7,850,000	0	7,850,000	125,000
<b>Total General Obligation Bonds</b>		<b>11,207,750</b>	<b>7,850,000</b>	<b>(4,337,750)</b>	<b>14,720,000</b>	<b>720,000</b>
Special Assessment Bond (with governmental commitment)						
4.25-5.0% Street Improvement	1998	17,250	0	(17,250)	0	0
Long-Term Note:						
4.000% Street Improvements	2007	4,500,000	0	(4,500,000)	0	0
Promissory Notes Payable:						
6.500% Howard Property	1995	307,331	0	(30,499)	276,832	32,481
Compensated Absences		1,581,210	1,486,535	(1,581,210)	1,486,535	134,181
Capital Lease		15,180	0	(7,590)	7,590	7,590
<b>Total Governmental Activities Long-Term Debt</b>		<b>\$17,628,721</b>	<b>\$9,336,535</b>	<b>(\$10,474,299)</b>	<b>\$16,490,957</b>	<b>\$894,252</b>
<b>Business-Type Activities:</b>						
Compensated Absences		\$305,630	\$330,110	(\$305,630)	\$330,110	\$24,796
<b>Total Business-Type Long-Term Debt</b>		<b>\$305,630</b>	<b>\$330,110</b>	<b>(\$305,630)</b>	<b>\$330,110</b>	<b>\$24,796</b>

## **CITY OF SYLVANIA, OHIO**

### **Notes to the Basic Financial Statements For the Year Ended December 31, 2008**

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

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 had an interest rate of 4% and matured 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, 2008, follows:

Years	General Obligation Bonds		Promissory Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$720,000	\$589,946	\$32,481	\$17,994	\$752,481	\$607,940
2010	915,000	559,041	34,592	15,883	949,592	574,924
2011	720,000	520,602	36,841	13,634	756,841	534,236
2012	710,000	491,855	39,235	11,240	749,235	503,095
2013	725,000	464,596	41,786	8,689	766,786	473,285
2014-2018	4,055,000	1,873,735	91,897	9,054	4,146,897	1,882,789
2019-2023	3,940,000	1,070,725	0	0	3,940,000	1,070,725
2024-2028	2,935,000	328,013	0	0	2,935,000	328,013
Totals	<u>\$14,720,000</u>	<u>\$5,898,513</u>	<u>\$276,832</u>	<u>\$76,494</u>	<u>\$14,996,832</u>	<u>\$5,975,007</u>

#### **B. Defeasance of General Obligation Debt**

On May 25, 1995, the City sold Sylvania Pacesetter Park for \$1,465,710 to the Sylvania Area Joint Recreation District (SAJRD) to defease \$1,350,000 of outstanding bonds with an interest rate of 6.705%. The principal amount outstanding on the defeased bonds at December 31, 2008 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 \$425,000 at December 31, 2008 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.



**CITY OF SYLVANIA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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

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

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

**NOTE 14 - 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, 2008:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2009	<u>\$8,227</u>
Minimum Lease Payments	8,227
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(637)</u>
Present value of minimum lease payments	<u><u>\$7,590</u></u>

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## *CITY OF SYLVANIA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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#### **NOTE 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has contracted with various private carriers for the provision of property damage, general liability, automotive damage, public officials liability, police liability, boiler and machinery damage/loss, umbrella liability, and crime and employee dishonesty. Deductible levels for the various policies have been selected so as not to expose the City to excessive "first dollars" loss in the case of a claim. Deductibles range between \$250 and \$1,000 per loss for property damage. In the professional liability areas, no deductible exceeds \$10,000.

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

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 to 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 \$1,545,141. The claims liability of \$284,400 reported in the Self Insurance Fund at December 31, 2008 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 2007 and 2008 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>
2007	\$261,008	\$1,804,041	(\$1,773,158)	\$291,891
2008	291,891	1,696,658	(1,704,149)	284,400

## **CITY OF SYLVANIA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 16 - CONSTRUCTION COMMITMENTS**

As of December 31, 2008, 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>
Acres Road Improvement	\$533,725	January 2009
Glasgow Road Improvements	137,443	January 2009
Fisher Park Playground	<u>5,625</u>	April 2009
Total	<u><u>\$676,793</u></u>	

#### **NOTE 17 - 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 18 - 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.

#### **NOTE 19 - SUBSEQUENT EVENT**

On June 15, 2009, City Council approved the sale of \$3,250,000 of bond anticipation notes for street and bridge improvements. The sale date was July 1, 2009 and the closing date was July 15, 2009.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvania ("City") as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

City of Sylvania  
Lucas County

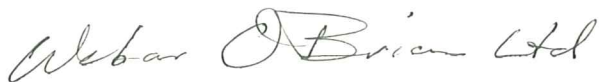
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Sylvania in a separate letter dated August 17, 2009.

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



August 17, 2009





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  
OCTOBER 15, 2009