

CITY OF SYLVANIA, OHIO

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

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



Dave Yost • Auditor of State

Members of Council
City of Sylvania
6730 Monroe Street
Sylvania, Ohio 43560

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, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 3, 2011

This Page Intentionally Left Blank

TABLE OF CONTENTS

I FINANCIAL SECTION

A Independent Auditors’ Report.....1

B Management’s Discussion and Analysis3

C Basic Financial Statements:

 Government-Wide Financial Statements:

 Statement of Net Assets.....13

 Statement of Activities14

 Fund Financial Statements:

Governmental Funds:

 Balance Sheet16

 Reconciliation of Total Governmental Fund Balances to Net Assets of
 Governmental Activities18

 Statement of Revenues, Expenditures and Changes in Fund Balances20

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities22

 Statement of Revenues, Expenditures and Changes in Fund Balance –
 Budget and Actual (Non-GAAP Budgetary Basis):

 General Fund23

 Police Pension Fund – Special Revenue Fund24

 Income Tax Fund – Special Revenue Fund.....25

 City Services Fund – Special Revenue Fund.....26

Proprietary Funds:

 Statement of Net Assets.....28

 Statement of Revenues, Expenses and Changes in Fund Net Assets30

 Statement of Cash Flows32

Fiduciary Funds:

 Statement of Assets and Liabilities.....36

 Notes to the Basic Financial Statements.....37

D 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 Standards71

This Page Intentionally Left Blank



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvania ("City"), as of and for the year ended December 31, 2010, 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, 2010, 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, Income Tax Fund, and City Services Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2011, 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.

Robert O'Brien Ltd

July 28, 2011

CITY OF SYLVANIA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

The discussion and analysis of the City of Sylvania's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. 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 2010 are as follows:

- ❑ In total, net assets decreased \$4,153,931. Net assets of governmental activities decreased \$4,023,188 from 2009. Net assets of business-type activities decreased \$130,743 from 2009.
- ❑ General revenues accounted for \$12.1 million in revenue or 55% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 45% of total revenues of \$21.9 million.
- ❑ The City had \$20.4 million in expenses related to governmental activities; only \$4.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12.1 million provided for these programs.
- ❑ Among major funds, the general fund had \$14.8 million in revenues which included transfers in from other funds in the amount of \$9.0 million. The general fund had \$12.2 million in expenditures including \$1,036,411 in transfers out to other funds. The general fund's fund balance increased \$2,599,013 to \$4,050,229.
- ❑ Net assets for enterprise funds decreased by \$150,829. This decrease resulted primarily from transfers to the Ditch Maintenance Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF SYLVANIA, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2010*

Unaudited

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF SYLVANIA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

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, 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$27,398,542	\$29,941,993	\$2,864,710	\$3,005,904	\$30,263,252	\$32,947,897
Capital assets, Net	35,839,173	34,892,092	17,494,192	17,580,068	53,333,365	52,472,160
Total assets	63,237,715	64,834,085	20,358,902	20,585,972	83,596,617	85,420,057
Long-term debt outstanding	21,540,723	15,741,921	286,234	300,966	21,826,957	16,042,887
Other liabilities	2,992,029	6,364,013	499,190	580,785	3,491,219	6,944,798
Total liabilities	24,532,752	22,105,934	785,424	881,751	25,318,176	22,987,685
Net assets						
Invested in capital assets, net of related debt	15,594,414	17,397,741	17,494,192	17,580,068	33,088,606	34,977,809
Restricted	17,960,118	20,039,235	0	0	17,960,118	20,039,235
Unrestricted	5,150,431	5,291,175	2,079,286	2,124,153	7,229,717	7,415,328
Total net assets	\$38,704,963	\$42,728,151	\$19,573,478	\$19,704,221	\$58,278,441	\$62,432,372

This space intentionally left blank.

CITY OF SYLVANIA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,823,909	\$1,701,048	\$5,763,411	\$5,514,296	\$7,587,320	\$7,215,344
Operating Grants and Contributions	2,023,550	2,078,102	0	0	2,023,550	2,078,102
Capital Grants and Contributions	307,160	318,180	0	0	307,160	318,180
Total Program Revenues	<u>4,154,619</u>	<u>4,097,330</u>	<u>5,763,411</u>	<u>5,514,296</u>	<u>9,918,030</u>	<u>9,611,626</u>
General Revenues:						
Property Taxes	1,345,033	1,529,880	0	0	1,345,033	1,529,880
Income Taxes	8,340,493	8,174,617	0	0	8,340,493	8,174,617
Intergovernmental Grant, Unrestricted	1,779,736	1,878,640	0	0	1,779,736	1,878,640
Investment Earnings	280,333	334,419	25,861	15,503	306,194	349,922
Miscellaneous	292,871	429,228	0	0	292,871	429,228
Total General Revenues	<u>12,038,466</u>	<u>12,346,784</u>	<u>25,861</u>	<u>15,503</u>	<u>12,064,327</u>	<u>12,362,287</u>
Total Revenues	<u>16,193,085</u>	<u>16,444,114</u>	<u>5,789,272</u>	<u>5,529,799</u>	<u>21,982,357</u>	<u>21,973,913</u>
Program Expenses						
Security of Persons and Property	6,870,168	6,778,958	0	0	6,870,168	6,778,958
Public Health and Welfare Services	262,233	205,156	0	0	262,233	205,156
Leisure Time Activities	1,126,588	1,287,770	0	0	1,126,588	1,287,770
Community Environment	848,237	789,758	0	0	848,237	789,758
Basic Utility Services	1,241,239	1,150,695	0	0	1,241,239	1,150,695
Transportation	3,488,394	3,329,978	0	0	3,488,394	3,329,978
General Government	5,953,308	6,659,815	0	0	5,953,308	6,659,815
Interest and Fiscal Charges	595,674	604,649	0	0	595,674	604,649
Water	0	0	3,194,202	3,444,350	3,194,202	3,444,350
Sewer	0	0	2,382,730	2,698,751	2,382,730	2,698,751
Resource Recovery	0	0	173,515	144,595	173,515	144,595
Total Expenses	<u>20,385,841</u>	<u>20,806,779</u>	<u>5,750,447</u>	<u>6,287,696</u>	<u>26,136,288</u>	<u>27,094,475</u>
Change in Net Assets before Transfers	(4,192,756)	(4,362,665)	38,825	(757,897)	(4,153,931)	(5,120,562)
Transfers	169,568	210,484	(169,568)	(210,484)	0	0
Total Change in Net Assets	<u>(4,023,188)</u>	<u>(4,152,181)</u>	<u>(130,743)</u>	<u>(968,381)</u>	<u>(4,153,931)</u>	<u>(5,120,562)</u>
Beginning Net Assets, as Restated	<u>42,728,151</u>	<u>46,880,332</u>	<u>19,704,221</u>	<u>20,672,602</u>	<u>62,432,372</u>	<u>67,552,934</u>
Ending Net Assets	<u>\$38,704,963</u>	<u>\$42,728,151</u>	<u>\$19,573,478</u>	<u>\$19,704,221</u>	<u>\$58,278,441</u>	<u>\$62,432,372</u>

This space intentionally left blank.

CITY OF SYLVANIA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

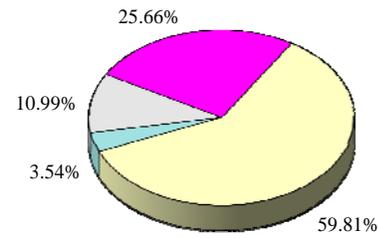
Governmental Activities

Net assets of the City's governmental activities decreased by \$4,023,188. The reason for this decrease is mostly due to the fact that both revenue and expenses stayed consistent from the year before, therefore most of the expenses were paid from available beginning of the year net assets. The decrease in net assets for 2010 was similar to that in 2009.

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 8.31% and 51.5%, respectively, of revenues for governmental activities for the City in fiscal year 2010. The City's reliance upon tax revenues is demonstrated by the following graph indicating 59.81% of total revenues from general tax revenues:

Revenue Sources	2010	Percent of Total
Intergovernmental, Unrestricted	\$1,779,736	10.99%
Program Revenues	4,154,619	25.66%
General Tax Revenues	9,685,526	59.81%
General Other	573,204	3.54%
Total Revenue	\$16,193,085	100.00%



Business-Type Activities

Net assets of the business-type activities decreased by \$130,743. This decrease was a result of transfers to the Ditch Maintenance Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$21,580,707, which is an increase from last year's balance of \$21,071,266. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Fund Balance December 31, 2009	Increase (Decrease)
General	\$4,050,229	\$1,451,216	\$2,599,013
Police Pension	329,808	365,596	(35,788)
Income Tax	722,940	990,699	(267,759)
City Services	143,239	30,628	112,611
Capital Improvement	14,726,672	16,937,570	(2,210,898)
Other Governmental	1,607,819	1,295,557	312,262
Total	\$21,580,707	\$21,071,266	\$509,441

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

CITY OF SYLVANIA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

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

	2010	2009	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$2,303,929	\$2,396,121	(\$92,192)
Intergovernmental Revenue	1,616,751	1,736,743	(119,992)
Charges for Services	524,562	509,218	15,344
Licenses, Permits and Fees	287,241	301,331	(14,090)
Fines and Forfeitures	831,493	857,060	(25,567)
Investment Earnings	52,564	88,791	(36,227)
All Other Revenue	212,226	166,628	45,598
Total	\$5,828,766	\$6,055,892	(\$227,126)

General Fund revenues in 2010 decreased slightly compared to revenues in fiscal year 2009. The most significant factor contributing to this decrease was a decrease in some state shared revenue along with a decrease in investment earnings and property taxes.

	2010	2009	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$4,900,997	\$4,623,254	\$277,743
Public Health and Welfare Services	220,397	164,842	55,555
Leisure Time Activities	833,821	876,721	(42,900)
Community Environment	459,133	421,239	37,894
Basic Utility Services	703,693	710,643	(6,950)
Transportation	292,313	250,963	41,350
General Government	3,811,259	3,462,369	348,890
Total	\$11,221,613	\$10,510,031	\$711,582

General Fund expenditures increased by \$711,582 or 6.7%. This was mostly due to increases in wages and benefits.

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 2010 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, 2010*

Unaudited

For the General Fund, final budget basis revenue of \$15.1 million changed significantly from the original budget estimates. This was due to additional transfers to the General Fund from the Capital Improvement Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010 the City had \$53,333,365 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$35,839,173 was related to governmental activities and \$17,494,192 to the business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$9,814,071	\$9,693,754	\$120,317
Construction in Progress	444,645	424,254	20,391
Land Improvements	1,711,744	1,417,507	294,237
Buildings	8,748,485	8,159,442	589,043
Machinery and Equipment	4,987,024	4,818,879	168,145
Infrastructure	28,382,344	27,249,614	1,132,730
Less: Accumulated Depreciation	(18,249,140)	(16,871,358)	(1,377,782)
Totals	\$35,839,173	\$34,892,092	\$947,081

	Business-Type Activities		Increase (Decrease)
	2010	2009	
Buildings	\$619,633	\$619,633	0
Machinery and Equipment	1,301,098	1,310,940	(9,842)
Improvements	35,356,877	34,734,469	622,408
Less: Accumulated Depreciation	(19,783,416)	(19,084,974)	(698,442)
Totals	\$17,494,192	\$17,580,068	(\$85,876)

As of December 31, 2010, the City has a contractual commitment of \$475,611 for the Graystone Project. Additional information on the City's capital assets can be found in Note 8.

CITY OF SYLVANIA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

Debt

At December 31, 2010, the City had \$13.1 million in bonds outstanding, \$720,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Governmental Activities:		
General Obligation Bonds	\$13,085,000	\$14,000,000
Promissory Notes	209,759	244,351
Long-Term Note Payable	6,950,000	0
Compensated Absences	1,295,964	1,497,570
Total Governmental Activities	<u>21,540,723</u>	<u>15,741,921</u>
Business-Type Activities:		
Compensated Absences	286,234	300,966
Total Business-Type Activities	<u>286,234</u>	<u>300,966</u>
Totals	<u>\$21,826,957</u>	<u>\$16,042,887</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, 2010, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS

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

Wage increases averaged about 3.0 percent in 2010; however, medical insurance costs rose significantly. The City has maintained a level workforce number for over five years.

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

CITY OF SYLVANIA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

REQUESTS FOR INFORMATION

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

This Page Intentionally Left Blank

CITY OF SYLVANIA, OHIO

Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,839,854	\$ 216,863	\$ 4,056,717
Investments	16,837,254	1,977,735	18,814,989
Receivables:			
Taxes	2,830,055	0	2,830,055
Accounts	226,229	459,152	685,381
Intergovernmental	1,383,811	0	1,383,811
Interest	12,441	1,340	13,781
Special Assessments	588,145	0	588,145
Internal Balances	16,651	(16,651)	0
Inventory of Supplies at Cost	530,886	210,838	741,724
Prepaid Items	58,153	15,433	73,586
Investment in Joint Venture	1,074,000	0	1,074,000
Restricted Assets:			
Cash and Cash Equivalents	1,063	0	1,063
Capital Assets:			
Capital Assets Not Being Depreciated	10,258,716	0	10,258,716
Capital Assets Being Depreciated, Net	25,580,457	17,494,192	43,074,649
Total Assets	63,237,715	20,358,902	83,596,617
Liabilities:			
Accounts Payable	746,280	446,309	1,192,589
Accrued Wages and Benefits	449,231	52,881	502,112
Claims Payable	304,200	0	304,200
Unearned Revenue	1,405,427	0	1,405,427
Accrued Interest Payable	86,891	0	86,891
Noncurrent liabilities:			
Due within one year	7,840,488	20,505	7,860,993
Due in more than one year	13,700,235	265,729	13,965,964
Total Liabilities	24,532,752	785,424	25,318,176
Net Assets:			
Invested in Capital Assets, Net of Related Debt	15,594,414	17,494,192	33,088,606
Restricted For:			
Capital Projects	14,856,568	0	14,856,568
Debt Service	90,177	0	90,177
Other Purposes	3,013,373	0	3,013,373
Unrestricted	5,150,431	2,079,286	7,229,717
Total Net Assets	\$ 38,704,963	\$ 19,573,478	\$ 58,278,441

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

Statement of Activities
For the Year Ended December 31, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 6,870,168	\$ 230,024	\$ 424,566	\$ 0
Public Health and Welfare Services	262,233	11,600	0	0
Leisure Time Activities	1,126,588	0	0	0
Community Environment	848,237	19,396	242,675	0
Basic Utility Services	1,241,239	467,620	244,874	0
Transportation	3,488,394	10,665	1,088,273	0
General Government	5,953,308	1,084,604	23,162	307,160
Interest and Fiscal Charges	595,674	0	0	0
Total Governmental Activities	20,385,841	1,823,909	2,023,550	307,160
Business-Type Activities:				
Water	3,194,202	3,409,290	0	0
Sewer	2,382,730	2,285,102	0	0
Resource Recovery	173,515	69,019	0	0
Total Business-Type Activities	5,750,447	5,763,411	0	0
Totals	\$ 26,136,288	\$ 7,587,320	\$ 2,023,550	\$ 307,160

General Revenues

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

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,215,578)	\$ 0	\$ (6,215,578)
(250,633)	0	(250,633)
(1,126,588)	0	(1,126,588)
(586,166)	0	(586,166)
(528,745)	0	(528,745)
(2,389,456)	0	(2,389,456)
(4,538,382)	0	(4,538,382)
(595,674)	0	(595,674)
<u>(16,231,222)</u>	<u>0</u>	<u>(16,231,222)</u>
0	215,088	215,088
0	(97,628)	(97,628)
0	(104,496)	(104,496)
<u>0</u>	<u>12,964</u>	<u>12,964</u>
<u>(16,231,222)</u>	<u>12,964</u>	<u>(16,218,258)</u>
1,345,033	0	1,345,033
8,340,493	0	8,340,493
1,779,736	0	1,779,736
280,333	25,861	306,194
292,871	0	292,871
169,568	(169,568)	0
<u>12,208,034</u>	<u>(143,707)</u>	<u>12,064,327</u>
(4,023,188)	(130,743)	(4,153,931)
<u>42,728,151</u>	<u>19,704,221</u>	<u>62,432,372</u>
<u>\$ 38,704,963</u>	<u>\$ 19,573,478</u>	<u>\$ 58,278,441</u>

CITY OF SYLVANIA, OHIO

Balance Sheet
Governmental Funds
December 31, 2010

	General	Police Pension	Income Tax	City Services
Assets:				
Cash and Cash Equivalents	\$ 255,160	\$ 464,231	\$ 63,589	\$ 213,050
Investments	3,084,474	0	0	0
Receivables:				
Taxes	1,254,686	454,347	896,817	0
Accounts	204,664	0	0	0
Intergovernmental	841,658	29,440	0	0
Interest	410	0	0	0
Special Assessments	0	0	0	425,052
Inventory of Supplies, at Cost	371,947	0	0	0
Prepaid Items	47,242	0	0	734
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Total Assets	\$ 6,060,241	\$ 948,018	\$ 960,406	\$ 638,836
Liabilities:				
Accounts Payable	\$ 182,460	\$ 0	\$ 6,355	\$ 64,120
Accrued Wages and Benefits Payable	253,351	134,423	10,280	6,425
Deferred Revenue	1,541,723	483,787	220,016	425,052
Compensated Absences Payable	32,478	0	815	0
Total Liabilities	2,010,012	618,210	237,466	495,597
Fund Balances:				
Reserved for Encumbrances	764	0	1,500	5,400
Reserved for Prepaid Items	47,242	0	0	734
Reserved for Supplies Inventory	371,947	0	0	0
Reserved for Endowments	0	0	0	0
Undesignated/Unreserved in:				
General Fund	3,630,276	0	0	0
Special Revenue Funds	0	329,808	721,440	137,105
Debt Service Funds	0	0	0	0
Capital Projects Funds	0	0	0	0
Total Fund Balances	4,050,229	329,808	722,940	143,239
Total Liabilities and Fund Balances	\$ 6,060,241	\$ 948,018	\$ 960,406	\$ 638,836

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,263,779	\$ 1,317,997	\$ 3,577,806
13,710,349	42,431	16,837,254
224,205	0	2,830,055
0	13,110	217,774
0	512,713	1,383,811
11,600	431	12,441
162,998	95	588,145
0	158,939	530,886
0	10,177	58,153
0	1,063	1,063
<u>\$ 15,372,931</u>	<u>\$ 2,056,956</u>	<u>\$ 26,037,388</u>
\$ 416,657	\$ 66,967	\$ 736,559
0	37,286	441,765
229,602	340,219	3,240,399
0	4,665	37,958
<u>646,259</u>	<u>449,137</u>	<u>4,456,681</u>
619,967	4,939	632,570
0	10,177	58,153
0	158,939	530,886
0	1,063	1,063
0	0	3,630,276
0	1,209,437	2,397,790
0	159,972	159,972
14,106,705	63,292	14,169,997
<u>14,726,672</u>	<u>1,607,819</u>	<u>21,580,707</u>
<u>\$ 15,372,931</u>	<u>\$ 2,056,956</u>	<u>\$ 26,037,388</u>

CITY OF SYLVANIA, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2010***

Total Governmental Fund Balances	\$ 21,580,707
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	35,833,845
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.	1,834,972
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.	(52,906)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(21,565,655)</u>
<i>Net Assets of Governmental Funds</i>	<u>\$ 38,704,963</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

CITY OF SYLVANIA, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2010

	General	Police Pension	Income Tax	City Services
Revenues:				
Property Taxes	\$ 918,221	\$ 419,453	\$ 0	\$ 0
Municipal Income Taxes	1,385,708	0	5,542,636	0
Intergovernmental Revenues	1,616,751	57,220	0	0
Charges for Services	524,562	0	0	0
Licenses, Permits and Fees	287,241	0	0	0
Investment Earnings	52,564	0	0	0
Special Assessments	0	0	0	771,672
Fines and Forfeitures	831,493	0	0	0
All Other Revenue	212,226	3,450	1,219	279
Total Revenue	5,828,766	480,123	5,543,855	771,951
Expenditures:				
Current:				
Security of Persons and Property	4,900,997	515,911	0	307,591
Public Health and Welfare Services	220,397	0	0	0
Leisure Time Activities	833,821	0	0	0
Community Environment	459,133	0	0	219,007
Basic Utility Services	703,693	0	0	327,892
Transportation	292,313	0	0	0
General Government	3,811,259	0	700,614	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest & Fiscal Charges	0	0	0	0
Total Expenditures	11,221,613	515,911	700,614	854,490
Excess (Deficiency) of Revenues Over Expenditures	(5,392,847)	(35,788)	4,843,241	(82,539)
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	0	0	0
Transfers In	9,011,000	0	0	195,150
Transfers Out	(1,036,411)	0	(5,111,000)	0
Total Other Financing Sources (Uses)	7,974,589	0	(5,111,000)	195,150
Net Change in Fund Balances	2,581,742	(35,788)	(267,759)	112,611
Fund Balances at Beginning of Year	1,451,216	365,596	990,699	30,628
Increase (Decrease) in Inventory Reserve	17,271	0	0	0
Fund Balances End of Year	\$ 4,050,229	\$ 329,808	\$ 722,940	\$ 143,239

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 1,337,674
1,385,708	0	8,314,052
207,300	1,119,271	3,000,542
0	0	524,562
0	0	287,241
223,812	4,884	281,260
58,548	503	830,723
0	203,663	1,035,156
85,614	67,049	369,837
<u>1,960,982</u>	<u>1,395,370</u>	<u>15,981,047</u>
0	106,714	5,831,213
0	0	220,397
0	0	833,821
0	17,993	696,133
0	0	1,031,585
0	1,678,068	1,970,381
0	66,518	4,578,391
5,868,826	51,121	5,919,947
34,592	915,000	949,592
0	559,041	559,041
<u>5,903,418</u>	<u>3,394,455</u>	<u>22,590,501</u>
(3,942,436)	(1,999,085)	(6,609,454)
6,950,000	0	6,950,000
3,600,000	2,329,291	15,135,441
(8,818,462)	0	(14,965,873)
<u>1,731,538</u>	<u>2,329,291</u>	<u>7,119,568</u>
(2,210,898)	330,206	510,114
16,937,570	1,295,557	21,071,266
0	(17,944)	(673)
<u>\$ 14,726,672</u>	<u>\$ 1,607,819</u>	<u>\$ 21,580,707</u>

CITY OF SYLVANIA, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 510,114

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. 1,102,756

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. (153,011)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 212,038

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. (6,000,408)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (36,633)

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. 198,930

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. 143,026

Change in Net Assets of Governmental Activities \$ (4,023,188)

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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 935,000	\$ 935,000	\$ 918,221	\$ (16,779)
Municipal Income Taxes	1,413,000	1,413,000	1,384,212	(28,788)
Intergovernmental Revenue	1,594,000	1,624,328	1,636,793	12,465
Charges for Services	455,500	457,500	524,427	66,927
Licenses, Permits and Fees	244,500	244,500	273,180	28,680
Investment Earnings	102,000	102,000	58,747	(43,253)
Fines and Forfeitures	1,095,700	1,095,700	841,455	(254,245)
All Other Revenues	150,000	150,490	212,293	61,803
Total Revenues	<u>5,989,700</u>	<u>6,022,518</u>	<u>5,849,328</u>	<u>(173,190)</u>
Expenditures:				
Current:				
Security of Persons and Property	5,111,855	5,103,299	4,886,101	217,198
Public Health and Welfare Services	197,450	216,450	210,468	5,982
Leisure Time Activities	886,685	882,368	828,801	53,567
Community Environment	425,950	523,050	460,099	62,951
Basic Utility Services	792,290	710,290	707,969	2,321
Transportation	298,290	330,290	291,438	38,852
General Government	4,045,425	4,141,415	3,798,798	342,617
Total Expenditures	<u>11,757,945</u>	<u>11,907,162</u>	<u>11,183,674</u>	<u>723,488</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,768,245)	(5,884,644)	(5,334,346)	550,298
Other Financing Sources (Uses):				
Transfers In	6,785,120	9,085,120	9,011,000	(74,120)
Transfers Out	(1,017,275)	(1,040,275)	(1,036,411)	3,864
Total Other Financing Sources (Uses):	<u>5,767,845</u>	<u>8,044,845</u>	<u>7,974,589</u>	<u>(70,256)</u>
Net Change In Fund Balance	(400)	2,160,201	2,640,243	480,042
Fund Balance at Beginning of Year	672,841	672,841	672,841	0
Prior Year Encumbrances	25,965	25,965	25,965	0
Fund Balance at End of Year	<u>\$ 698,406</u>	<u>\$ 2,859,007</u>	<u>\$ 3,339,049</u>	<u>\$ 480,042</u>

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund - Police Pension Fund
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 413,000	\$ 413,000	\$ 419,453	\$ 6,453
Intergovernmental Revenue	54,000	22,172	57,220	35,048
All Other Revenues	<u>4,000</u>	<u>0</u>	<u>3,450</u>	<u>3,450</u>
Total Revenues	<u>471,000</u>	<u>435,172</u>	<u>480,123</u>	<u>44,951</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>510,000</u>	<u>515,600</u>	<u>515,351</u>	<u>249</u>
Total Expenditures	<u>510,000</u>	<u>515,600</u>	<u>515,351</u>	<u>249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,000)	(80,428)	(35,228)	45,200
Fund Balance at Beginning of Year	<u>499,459</u>	<u>499,459</u>	<u>499,459</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 460,459</u>	<u>\$ 419,031</u>	<u>\$ 464,231</u>	<u>\$ 45,200</u>

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund - Income Tax Fund
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Municipal Income Taxes	\$ 5,652,000	\$ 5,652,000	\$ 5,536,829	\$ (115,171)
All Other Revenues	1,000	1,000	1,219	219
Total Revenues	5,653,000	5,653,000	5,538,048	(114,952)
Expenditures:				
Current:				
General Government	751,246	751,246	695,610	55,636
Total Expenditures	751,246	751,246	695,610	55,636
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,901,754	4,901,754	4,842,438	(59,316)
Other Financing Sources (Uses):				
Transfers Out	(5,361,000)	(5,361,000)	(5,111,000)	250,000
Total Other Financing Sources (Uses):	(5,361,000)	(5,361,000)	(5,111,000)	250,000
Net Change In Fund Balance	(459,246)	(459,246)	(268,562)	190,684
Fund Balance at Beginning of Year	330,281	330,281	330,281	0
Prior Year Encumbrances	370	370	370	0
Fund Balance at End of Year	\$ (128,595)	\$ (128,595)	\$ 62,089	\$ 190,684

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund - City Services Fund
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	770,700	770,700	771,672	972
All Other Revenues	6,500	6,500	279	(6,221)
Total Revenues	<u>777,200</u>	<u>777,200</u>	<u>771,951</u>	<u>(5,249)</u>
Expenditures:				
Current:				
Security of Persons and Property	302,870	315,470	314,133	1,337
Community Environment	227,570	227,570	216,939	10,631
Basic Utility Services	423,850	428,154	323,922	104,232
Total Expenditures	<u>954,290</u>	<u>971,194</u>	<u>854,994</u>	<u>116,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(177,090)	(193,994)	(83,043)	110,951
Other Financing Sources (Uses):				
Transfers In	177,800	195,800	195,150	(650)
Total Other Financing Sources (Uses):	<u>177,800</u>	<u>195,800</u>	<u>195,150</u>	<u>(650)</u>
Net Change In Fund Balance	710	1,806	112,107	110,301
Fund Balance at Beginning of Year	92,128	92,128	92,128	0
Prior Year Encumbrances	3,415	3,415	3,415	0
Fund Balance at End of Year	<u>\$ 96,253</u>	<u>\$ 97,349</u>	<u>\$ 207,650</u>	<u>\$ 110,301</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

CITY OF SYLVANIA, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2010**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 74,738	\$ 107,564	\$ 34,561
Investments	810,811	1,166,924	0
Accounts Receivable	270,918	187,739	495
Interest Receivable	485	855	0
Inventory of Supplies at Cost	160,682	50,156	0
Prepaid Items	15,433	0	0
Total current assets	1,333,067	1,513,238	35,056
Noncurrent assets:			
Capital assets:			
Property, Plant and Equipment	12,061,192	25,052,183	164,233
Less accumulated depreciation	(5,626,382)	(13,992,801)	(164,233)
Total capital assets (net of accumulated depr)	6,434,810	11,059,382	0
Total noncurrent assets	6,434,810	11,059,382	0
Total assets	7,767,877	12,572,620	35,056
LIABILITIES			
Current liabilities:			
Accounts Payable	187,776	252,108	6,425
Accrued Wages and Benefits	32,320	19,081	1,480
Claims Payable	0	0	0
Total Current Liabilities	220,096	271,189	7,905
Noncurrent Liabilities:			
Compensated Absences Payable	175,566	110,668	0
Total noncurrent liabilities	175,566	110,668	0
Total Liabilities	395,662	381,857	7,905
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,434,810	11,059,382	0
Unrestricted	937,405	1,131,381	27,151
Total Net Assets	\$ 7,372,215	\$ 12,190,763	\$ 27,151

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

Total	Governmental Activities Internal Service Funds
\$ 216,863	\$ 262,048
1,977,735	0
459,152	8,455
1,340	0
210,838	0
15,433	0
2,881,361	270,503
37,277,608	15,985
(19,783,416)	(10,657)
17,494,192	5,328
17,494,192	5,328
20,375,553	275,831
446,309	9,721
52,881	7,466
0	304,200
499,190	321,387
286,234	24,001
286,234	24,001
785,424	345,388
17,494,192	5,328
2,095,937	(74,885)
19,590,129	\$ (69,557)
(16,651)	
\$ 19,573,478	

CITY OF SYLVANIA, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
Operating Revenues:			
Charges for Services	\$ 3,332,604	\$ 2,243,437	\$ 68,524
Other Operating Revenues	76,686	41,665	495
Total Operating Revenues	<u>3,409,290</u>	<u>2,285,102</u>	<u>69,019</u>
Operating Expenses:			
Personal Services	959,356	770,196	80,561
Materials and Supplies	119,097	69,809	29,933
Contractual Services	1,868,861	1,082,960	61,551
Depreciation	257,572	468,751	1,470
Total Operating Expenses	<u>3,204,886</u>	<u>2,391,716</u>	<u>173,515</u>
Operating Income (Loss)	204,404	(106,614)	(104,496)
Non-Operating Revenue (Expenses):			
Interest Income	11,631	14,230	0
Loss on Disposal of Capital Assets	(416)	0	0
Other Nonoperating Revenue	0	0	0
Total Non-Operating Revenues (Expenses)	<u>11,215</u>	<u>14,230</u>	<u>0</u>
Income (Loss) Before Transfers	215,619	(92,384)	(104,496)
Transfers:			
Transfers In	0	0	124,700
Transfers Out	(69,684)	(224,584)	0
Total Transfers	<u>(69,684)</u>	<u>(224,584)</u>	<u>124,700</u>
Change in Net Assets	145,935	(316,968)	20,204
Net Assets Beginning of Year	<u>7,226,280</u>	<u>12,507,731</u>	<u>6,947</u>
Net Assets End of Year	<u>\$ 7,372,215</u>	<u>\$ 12,190,763</u>	<u>\$ 27,151</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

Total	Governmental Activities Internal Service Funds
\$ 5,644,565	\$ 2,434,803
118,846	0
5,763,411	2,434,803
1,810,113	1,857,694
218,839	81,967
3,013,372	374,013
727,793	2,664
5,770,117	2,316,338
(6,706)	118,465
25,861	0
(416)	0
0	44,647
25,445	44,647
18,739	163,112
124,700	0
(294,268)	0
(169,568)	0
(150,829)	163,112
19,740,958	(232,669)
19,590,129	\$ (69,557)
(150,829)	
20,086	
\$ (130,743)	

CITY OF SYLVANIA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Resource Recovery
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,392,662	\$2,252,219	\$68,524
Cash Payments for Goods and Services	(1,992,072)	(1,131,439)	(91,350)
Cash Payments to Employees	(947,503)	(789,203)	(79,870)
Net Cash Provided (Used) by Operating Activities	<u>453,087</u>	<u>331,577</u>	<u>(102,696)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	124,700
Transfers Out to Other Funds	(69,684)	(224,584)	0
Miscellaneous Nonoperating Revenue	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(69,684)</u>	<u>(224,584)</u>	<u>124,700</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(372,363)	(367,356)	0
Net Cash Used for Capital and Related Financing Activities	<u>(372,363)</u>	<u>(367,356)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	0	105,783	0
Purchase of Investments	(88,960)	0	0
Receipts of Interest	12,323	14,836	0
Net Cash Provided (Used) by Investing Activities	<u>(76,637)</u>	<u>120,619</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(65,597)	(139,744)	22,004
Cash and Cash Equivalents at Beginning of Year	<u>140,335</u>	<u>247,308</u>	<u>12,557</u>
Cash and Cash Equivalents at End of Year	<u>\$74,738</u>	<u>\$107,564</u>	<u>\$34,561</u>

CITY OF SYLVANIA, OHIO

Totals	Governmental Activities Internal Service Funds
\$5,713,405	\$2,428,204
(3,214,861)	(445,833)
(1,816,576)	(1,860,488)
681,968	121,883
124,700	0
(294,268)	0
0	44,647
(169,568)	44,647
(739,719)	0
(739,719)	0
105,783	0
(88,960)	0
27,159	0
43,982	0
(183,337)	166,530
400,200	95,518
\$216,863	\$262,048

(Continued)

CITY OF SYLVANIA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	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)	\$204,404	(\$106,614)	(\$104,496)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	257,572	468,751	1,470
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(16,628)	(32,883)	(495)
Decrease (Increase) in Inventory	8,197	(5,302)	0
Decrease (Increase) in Prepaid Items	(3,622)	10,084	471
Increase (Decrease) in Accounts Payable	(8,549)	16,418	(337)
Increase in Accrued Wages and Benefits	5,505	2,063	691
Decrease in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences	6,208	(20,940)	0
Total Adjustments	<u>248,683</u>	<u>438,191</u>	<u>1,800</u>
Net Cash Provided (Used) by Operating Activities	<u>\$453,087</u>	<u>\$331,577</u>	<u>(\$102,696)</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During 2010 the fair value of investments decreased by \$1,902 and \$2,738 in the Water and Sewer Funds respectively.

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

Totals	Governmental Activities Internal Service Funds
(\$6,706)	\$118,465
727,793	2,664
(50,006)	(6,599)
2,895	0
6,933	1,085
7,532	9,062
8,259	1,443
0	(7,300)
(14,732)	3,063
688,674	3,418
\$681,968	\$121,883

CITY OF SYLVANIA, OHIO

***Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2010***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 109,409
Total Assets	<u>109,409</u>
Liabilities:	
Due to Others	<u>109,409</u>
Total Liabilities	<u>\$ 109,409</u>

See accompanying notes to the basic financial statements

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

1. Joint Venture with Equity Interest

Community Center:

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

2. Jointly Governed Organization

Sylvania Area Joint Recreation District:

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

B. Basis of Presentation - Fund Accounting

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

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

Governmental Funds

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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.

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

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. The City has two internal service funds, the Self Insurance Fund, which is used to account for monies received from City departments to cover the cost of health care for employees of the City's departments and the Information Technology Fund, which is used to account for the costs of the City's information technology personnel along with the services provided by them to the City's various departments.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010, but which are not intended to finance 2010 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

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

E. Budgetary Process

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

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 2010.

2. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the county budget commission. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. The Finance Director is authorized to transfer appropriations between objects of expenditure budgeted within the same function, so long as total appropriations for each function do not exceed the amount approved by Council. During the year, several supplemental appropriations were necessary to budget for capital improvements, vehicle purchases, community service programs, and various incidental expenditures. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund," in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual—Special Revenue Fund -Police Pension Fund" in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual—Special Revenue Fund-Income Tax Fund" and in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual—Special Revenue Fund-City Services Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

This space intentionally left blank.

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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	City Services Fund
GAAP Basis (as reported)	\$2,581,742	(\$35,788)	(\$267,759)	\$112,611
Increase (Decrease):				
Accrued Revenues at December 31, 2010 received during 2011	(752,458)	0	(676,801)	0
Accrued Revenues at December 31, 2009 received during 2010	773,020	0	670,994	0
Accrued Expenditures at December 31, 2010 paid during 2011	468,289	134,423	17,450	70,545
Accrued Expenditures at December 31, 2009 paid during 2010	(430,416)	(133,863)	(12,795)	(65,462)
2009 Prepays for 2010	55,130	0	1,849	547
2010 Prepays for 2011	(47,242)	0	0	(734)
Outstanding Encumbrances	(7,822)	0	(1,500)	(5,400)
Budget Basis	<u>\$2,640,243</u>	<u>(\$35,228)</u>	<u>(\$268,562)</u>	<u>\$112,107</u>

F. Cash and Cash Equivalents

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 2010, investments were limited to Certificates of Deposit, STAR Ohio, United States Treasury Notes, Sylvania Township Notes and the Toledo Community Foundation, Inc. Mutual Funds. See Note 4, "Cash, Cash Equivalents and Investments."

Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$52,564, which includes \$44,810 assigned from other City funds.

The City has invested funds in the STAR Ohio during 2010. 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, 2010.

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, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

CITY OF SYLVANIA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

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

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

K. Long-Term Obligations

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

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

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

M. Net Assets

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

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

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

O. Interfund Activity

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

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

P. Reservations of Fund Balance

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

Q. Estimates

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

R. Operating Revenues and Expenses

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

CITY OF SYLVANIA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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 2010.

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

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

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

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

Delinquent Income Tax Revenue	\$330,024
Delinquent Property Tax Revenue	79,403
Shared Revenues	825,392
Interest Revenues	12,010
Special Assessment Revenue	588,143
	<hr/>
	\$1,834,972

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$13,085,000)
Long-Term Note Payable	(6,950,000)
Promissory Notes Payable	(209,759)
Accrued Interest on Long-Term Debt	(86,891)
Compensated Absences Payable	(1,234,005)
	<hr/>
	(\$21,565,655)

This space intentionally left blank.

CITY OF SYLVANIA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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

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

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

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

Capital Outlay	\$2,595,862
Depreciation Expense	<u>(1,493,106)</u>
	\$1,102,756

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$26,441
Increase in Delinquent Property Tax	7,359
Increase in Shared Revenue	14,595
Decrease in Interest Revenue	(927)
Increase in Special Assessment Revenue	<u>164,570</u>
	\$212,038

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$199,603
Decrease in supplies inventory	<u>(673)</u>
	\$198,930

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

G.O. Bond Principal Payment	\$915,000
Promissory Note Principal Payment	34,592
G.O. Note Proceeds	<u>(6,950,000)</u>
	(\$6,000,408)

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficit at December 31, 2010 of \$137,896 in the Self-Insurance Fund (internal service fund) arose from the recognition of expenses on the modified accrual basis of accounting which are greater than expenses recognized on the budgetary basis. The deficit does not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 4 - 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 \$5,090,370 and the bank balance was \$5,268,074. Federal depository insurance covered \$1,000,000 of the bank balance and \$4,268,074 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$4,268,074</u>
Total Balance	<u><u>\$4,268,074</u></u>

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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

B. Investments

The City's investments at December 31, 2010 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)	\$42,431	\$42,431	\$0	\$0	\$0
STAR Ohio	76,820	76,820	0	0	0
Sylvania Township Bonds	785,000	50,000	110,000	120,000	505,000
FNMA	6,689,341	502,840	1,897,103	4,289,398	0
FHLMC	1,507,310	0	1,004,835	502,475	0
FHLB	5,397,449	868,490	2,529,390	1,999,569	0
FFCB	507,115	507,115	0	0	0
U.S. Treasury Notes	2,886,342	1,817,987	1,068,355	0	0
Total Investments	<u>\$17,891,808</u>	<u>\$3,865,683</u>	<u>\$6,609,683</u>	<u>\$6,911,442</u>	<u>\$505,000</u>

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

Credit Risk – The City’s investments in 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 FNMA, FHLMC, FHLB and FFCB securities in the amounts of \$6,689,341, \$1,507,310, \$5,397,449 and \$507,115, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name. The City has no investment policy dealing with investments’ custodial risk beyond the requirement in State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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

B. Investments (Continued)

Concentration of Credit Risk – Of the City’s investments, 37.4% are FNMA, 8.4% are FHLMC, 30.2% are FHLB and 2.8% are FFCB. The City’s policy states the portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or specific type of security. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security type is as follows:

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

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

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

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009, 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 in January; the remainder is payable by July.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. 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, 2010 was \$3.60 per \$1,000 of assessed value. The assessed value upon which the 2010 receipts were based was \$438,560,075. This amount constitutes \$434,564,270 in real property assessed value, \$3,660,140 in public utility assessed value and \$335,665 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .360% (3.60 mills) of assessed value.

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 5 - TAXES (Continued)

B. Income Tax

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

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2010 consisted of taxes, intergovernmental receivables, special assessments, accounts receivable and interest.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2010:

Transfers Out:	Transfers In:					Total
	General Fund	Capital Improvement Fund	City Services Fund	Nonmajor Governmental Funds	Resource Recovery Fund	
General Fund	\$0	\$0	\$17,350	\$894,361	\$124,700	\$1,036,411
Income Tax Fund	1,511,000	3,600,000	0	0	0	5,111,000
Capital Improvement Fund	7,500,000	0	0	1,318,462	0	8,818,462
Water Fund	0	0	0	69,684	0	69,684
Sewer Fund	0	0	177,800	46,784	0	224,584
	<u>\$9,011,000</u>	<u>\$3,600,000</u>	<u>\$195,150</u>	<u>\$2,329,291</u>	<u>\$124,700</u>	<u>\$15,260,141</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, 2010**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$9,693,754	\$120,317	\$0	\$9,814,071
Construction in Progress	424,254	353,218	(332,827)	444,645
<i>Capital assets being depreciated:</i>				
Land Improvements	1,417,507	294,237	0	1,711,744
Buildings	8,159,442	589,043	0	8,748,485
Machinery and Equipment	4,818,879	210,763	(42,618)	4,987,024
Infrastructure	27,249,614	1,361,111	(228,381)	28,382,344
Total Cost	<u>\$51,763,450</u>	<u>\$2,928,689</u>	<u>(\$603,826)</u>	<u>\$54,088,313</u>

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Land Improvements	(\$896,426)	(\$79,916)	\$0	(\$976,342)
Buildings	(3,851,734)	(246,638)	0	(4,098,372)
Machinery and Equipment	(2,764,425)	(487,757)	32,102	(3,220,080)
Infrastructure	(9,358,773)	(681,459)	85,886	(9,954,346)
Total Depreciation	<u>(\$16,871,358)</u>	<u>(\$1,495,770) *</u>	<u>\$117,988</u>	<u>(\$18,249,140)</u>
<i>Net Value:</i>	<u>\$34,892,092</u>			<u>\$35,839,173</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$80,655
Leisure Time Activities	104,354
Community Environment	9,977
Transportation	843,864
General Government	<u>454,256</u>
Total Depreciation Expense recorded within the Governmental Activities	1,493,106
Amount of Depreciation Expense recorded in the Internal Service Fund	<u>2,664</u>
Total Depreciation Expense	<u>\$1,495,770</u>

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 8 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets being depreciated:</i>				
Buildings	\$619,633	\$0	\$0	\$619,633
Machinery and Equipment	1,310,940	19,925	(29,767)	1,301,098
Improvements	34,734,469	622,408	0	35,356,877
Total Cost	<u>\$36,665,042</u>	<u>\$642,333</u>	<u>(\$29,767)</u>	<u>\$37,277,608</u>

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(\$558,463)	(\$2,134)	\$0	(\$560,597)
Machinery and Equipment	(1,156,309)	(56,571)	29,351	(1,183,529)
Improvements	(17,370,202)	(669,088)	0	(18,039,290)
Total Depreciation	<u>(\$19,084,974)</u>	<u>(\$727,793)</u>	<u>\$29,351</u>	<u>(\$19,783,416)</u>

Net Value:

	<u>\$17,580,068</u>			<u>\$17,494,192</u>
--	---------------------	--	--	---------------------

This space intentionally left blank.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System ("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 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through February 28, 2010, and 9.77% from March 1 through December 31, 2010. 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, 2010, 2009, and 2008 were \$771,106, \$775,624 and \$766,923, respectively, which were equal to the required contributions for each year.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 9 – 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% for police officers. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2010, 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, 2010, 2009, and 2008 were \$510,424, \$500,149 and \$495,738 for police, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

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

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

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

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by 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 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. 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, 2010, 2009, and 2008 were \$279,985, \$325,485 and \$383,461, respectively, which were equal to the required contributions for each year.

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

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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 2010, 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, 2010, 2009, and 2008 were \$176,685, \$173,128 and \$171,602 for police, which were equal to the required contributions for each year.

CITY OF SYLVANIA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 11 – 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, 2010, the City's accumulated, unpaid compensated absences amounted to \$1,582,198, of which \$1,295,964 is recorded as a liability of the Governmental Activities and \$286,234 is recorded as a liability of the Business-Type Activities.

NOTE 12 - NOTES PAYABLE

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

	Issue Date	Balance December 31, 2009	Issued (Retired)	Balance December 31, 2010
Capital Projects Fund Note Payable:				
2.00% Street Improvements	6/15/09	\$3,250,000	(\$3,250,000)	\$0

This space intentionally left blank.

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 13 - LONG-TERM DEBT

Long-term debt and other long-term obligations of the City at December 31, 2010 were as follows:

		Balance December 31, 2009	Additions	(Reductions)	Balance December 31, 2010	Amount Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
7.000% Maintenance Building Bonds	1986	\$70,000	\$0	(\$35,000)	\$35,000	\$35,000
3.8-4.9% Municipal Building Improvement Recreational Facilities	1997	215,000	0	(215,000)	0	0
4.25-5.0% Street Improvement	1998	1,200,000	0	(110,000)	1,090,000	115,000
3.0-5.05% Senior Center/Field House	2002	550,000	0	(30,000)	520,000	35,000
3.5-4.55% Street Improvement	2004	4,240,000	0	(220,000)	4,020,000	225,000
3.5-4.00% Various Improvements	2008	7,725,000	0	(305,000)	7,420,000	310,000
Total General Obligation Bonds		14,000,000	0	(915,000)	13,085,000	720,000
Long-Term Note:						
1.250% Various Improvements	2010	0	6,950,000	0	6,950,000	6,950,000
Promissory Notes Payable:						
6.500% Howard Property	1995	244,351	0	(34,592)	209,759	36,841
Compensated Absences		1,497,570	1,295,964	(1,497,570)	1,295,964	133,647
Total Governmental Activities Long-Term Debt		<u>\$15,741,921</u>	<u>\$8,245,964</u>	<u>(\$2,447,162)</u>	<u>\$21,540,723</u>	<u>\$7,840,488</u>
Business-Type Activities:						
Compensated Absences		\$300,966	\$286,234	(\$300,966)	\$286,234	\$20,505
Total Business-Type Long-Term Debt		<u>\$300,966</u>	<u>\$286,234</u>	<u>(\$300,966)</u>	<u>\$286,234</u>	<u>\$20,505</u>

Long-Term 2010 Various Improvements Note

The 2010 Various Improvement Note was issued on July 13, 2010 bearing a rate of 1.25%. The note has been classified as a long-term debt because it was retired with a portion of refunding bonds issued on June 21, 2011 in the amount \$8,095,000, before the release of this report.

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 13 - LONG-TERM DEBT (Continued)

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2010, follows:

Years	General Obligation Bonds		Promissory Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	755,000	436,294	44,502	5,973	799,502	442,267
2015	780,000	406,748	47,395	3,081	827,395	409,829
2016-2020	4,030,000	1,552,121	0	0	4,030,000	1,552,121
2021-2025	3,765,000	748,149	0	0	3,765,000	748,149
2026-2028	1,600,000	129,161	0	0	1,600,000	129,161
Totals	<u>\$13,085,000</u>	<u>\$4,749,526</u>	<u>\$209,759</u>	<u>\$42,617</u>	<u>\$13,294,759</u>	<u>\$4,792,143</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, 2010 was \$125,000. 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.

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010 was \$2,365,000. 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 - 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 \$65,000 per individual per year up to a maximum of \$4,935,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in either of the past two fiscal years.

CITY OF SYLVANIA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 14 - RISK MANAGEMENT (Continued)

All funds of the City from which employee salaries are paid, participate in the health insurance program and make payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions to the program during the year were \$1,994,565. The claims liability of \$304,200 reported in the Self Insurance Fund at December 31, 2010 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 2009 and 2010 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2009	\$284,400	\$1,932,941	(\$1,905,841)	\$311,500
2010	311,500	1,930,901	(1,938,201)	304,200

NOTE 15 - CONSTRUCTION COMMITMENTS

As of December 31, 2010, the City had the following commitment with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Graystone Project	\$475,611	June 2011

CITY OF SYLVANIA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 16 - CONTINGENCIES

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

NOTE 17 - JOINT VENTURE

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

NOTE 18 - SUBSEQUENT EVENTS

On June 21, 2011, the City issued refunding bonds in the amount of \$8,095,000. These bonds were used to retire notes previously issued, in the amount of \$6,950,000 for various improvements throughout the City and to refund general obligation Street Improvement Bonds issued in 1998 that had a principal balance of \$1,090,000 as of December 31, 2010.

On July 7, 2011, the City issued bonds in the amount of \$6,695,000. These bonds are to be used for various improvements throughout the City, including recreational facilities improvements, waterworks improvements and street improvements. These bonds mature on December 1, 2031.

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 28, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

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

City of Sylvania
Lucas County

Compliance and Other Matters

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

We noted certain matters not requiring inclusion in this report that we reported to the management of the City of Sylvania in a separate letter dated July 28, 2011.

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.

A handwritten signature in black ink that reads "Weber & Brown Ltd." The signature is written in a cursive, flowing style.

July 28, 2011



Dave Yost • 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 13, 2011