



Dave Yost • Auditor of State



VILLAGE OF SILVERTON  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Silverton  
Hamilton County  
6860 Plainfield Road  
Silverton, Ohio 45236

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton, Hamilton County, Ohio (the Village), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton, Hamilton County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2014, the Village has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 9, 2015

**Village of Silverton**  
*Hamilton County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,255,188</u>
<i>Total Assets</i>	<u><u>\$2,255,188</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$552,560
Debt Service	2,503
Street Improvements	153,333
Other Purposes	26,091
Unrestricted	<u>1,520,701</u>
<i>Total Net Position</i>	<u><u>\$2,255,188</u></u>

See accompanying notes to the basic financial statements

**Village of Silverton**  
*Hamilton County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2014*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Current:					
Security of Persons and Property	\$889,416	\$3,011	\$4,374		(\$882,031)
Public Health Services	5,131				(5,131)
Leisure Time Activities	20,921				(20,921)
Community Environment	405,696	261,162	1,929		(142,605)
Transportation	342,475	32,285	227,719	5,065	(77,406)
General Government	689,708	46,096			(643,612)
Capital Outlay	1,993,682			191,092	(1,802,590)
Debt Service:					
Principal Retirement	93,969				(93,969)
Interest and Fiscal Charges	20,675				(20,675)
Other Financing Uses	23,400				(23,400)
<i>Total Governmental Activities</i>	4,485,073	342,554	234,022	196,157	(3,712,340)
		General Receipts:			
		Property Taxes Levied for:			
		General Purposes		545,435	
		Income Taxes		1,545,835	
		Grants and Entitlements not Restricted to Specific Programs		128,744	
		Sale of Notes		1,583,219	
		Sale of Capital Assets		2,267	
		Cable Franchise Fees		59,390	
		Earnings on Investments		9,642	
		Miscellaneous		47,104	
		<i>Total General Receipts</i>		3,921,636	
		Change in Net Position			209,296
		<i>Net Position Beginning of Year</i>			2,045,892
		<i>Net Position End of Year</i>			\$2,255,188

See accompanying notes to the basic financial statements



**Village of Silverton**  
*Hamilton County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2014*

	General	Job Creation	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,520,701	\$56,596	\$363,301	\$314,590	\$2,255,188
<i>Total Assets</i>	<u>\$1,520,701</u>	<u>\$56,596</u>	<u>\$363,301</u>	<u>\$314,590</u>	<u>\$2,255,188</u>
<b>Fund Balances</b>					
Restricted		56,596	363,301	263,230	683,127
Committed				48,857	48,857
Assigned	486,013			2,503	488,516
Unassigned	1,034,688				1,034,688
<i>Total Fund Balances</i>	<u>\$1,520,701</u>	<u>\$56,596</u>	<u>\$363,301</u>	<u>\$314,590</u>	<u>\$2,255,188</u>

See accompanying notes to the basic financial statements

**Village of Silverton**  
 Hamilton County  
 Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis  
 Governmental Funds  
 For the Year Ended December 31, 2014

	General	Job Creation	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal Income Taxes	\$1,545,835				\$1,545,835
Property Taxes	545,435				545,435
Other Local Taxes	59,390				59,390
Intergovernmental	128,744			430,180	558,924
Special Assessments	240				240
Charges for Services	244,409			36,154	280,563
Fines, Licenses and Permits	55,430			6,321	61,751
Earnings on Investments	9,042			600	9,642
Miscellaneous	24,973	9,109		13,021	47,103
<i>Total Receipts</i>	<u>2,613,498</u>	<u>9,109</u>	<u>0</u>	<u>486,276</u>	<u>3,108,883</u>
<b>Disbursements</b>					
Current:					
Security of Persons and Property	858,450			30,966	889,416
Public Health Services	5,131				5,131
Leisure Time Activities	20,921				20,921
Community Environment	400,061			5,635	405,696
Transportation				342,475	342,475
General Government	674,096	1,278		14,334	689,708
Capital Outlay		1,554,054	115,758	323,870	1,993,682
Debt Service:					
Principal Retirement				93,969	93,969
Interest and Fiscal Charges				20,675	20,675
<i>Total Disbursements</i>	<u>1,958,659</u>	<u>1,555,332</u>	<u>115,758</u>	<u>831,924</u>	<u>4,461,673</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>654,839</u>	<u>(1,546,223)</u>	<u>(115,758)</u>	<u>(345,648)</u>	<u>(1,352,790)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Notes		1,583,219			1,583,219
Sale of Capital Assets	2,267				2,267
Transfers In	4,354	43,000	300,000	411,125	758,479
Transfers Out	(754,125)			(4,354)	(758,479)
Other Financing Uses		(23,400)			(23,400)
<i>Total Other Financing Sources (Uses)</i>	<u>(747,504)</u>	<u>1,602,819</u>	<u>300,000</u>	<u>406,771</u>	<u>1,562,086</u>
<i>Net Change in Fund Balances</i>	<u>(92,665)</u>	<u>56,596</u>	<u>184,242</u>	<u>61,123</u>	<u>209,296</u>
<i>Fund Balances Beginning of Year</i>	<u>1,613,366</u>	<u>0</u>	<u>179,059</u>	<u>253,467</u>	<u>2,045,892</u>
<i>Fund Balances End of Year</i>	<u>\$1,520,701</u>	<u>\$56,596</u>	<u>\$363,301</u>	<u>\$314,590</u>	<u>\$2,255,188</u>

See accompanying notes to the basic financial statements

**Village of Silverton**  
*Hamilton County*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$1,416,000	\$1,416,000	\$1,545,835	\$129,835
Property Taxes	525,032	525,032	545,435	20,403
Other Local Taxes	56,000	56,000	59,390	3,390
Intergovernmental	123,495	123,495	128,744	5,249
Special Assessments	0	0	240	240
Charges for Services	268,629	268,629	244,409	(24,220)
Fines, Licenses and Permits	54,400	54,400	55,430	1,030
Earnings on Investments	6,000	6,000	9,042	3,042
Miscellaneous	300	300	24,973	24,673
<i>Total Receipts</i>	2,449,856	2,449,856	2,613,498	163,642
<b>Disbursements</b>				
Current:				
Security of Persons and Property	1,291,576	1,323,771	986,749	337,022
Public Health Services	5,131	5,131	5,131	0
Leisure Time Activities	14,270	14,270	20,921	(6,651)
Community Environment	416,380	416,380	407,094	9,286
General Government	703,127	703,127	674,096	29,031
<i>Total Disbursements</i>	2,430,484	2,462,679	2,093,991	368,688
<i>Excess of Receipts Over (Under) Disbursements</i>	19,372	(12,823)	519,507	532,330
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	2,267	2,267
Transfers In	4,354	4,354	4,354	0
Transfers Out	(225,000)	(1,015,932)	(754,125)	261,807
<i>Total Other Financing Sources (Uses)</i>	(220,646)	(1,011,578)	(747,504)	264,074
<i>Net Change in Fund Balance</i>	(201,274)	(1,024,401)	(227,997)	796,404
<i>Unencumbered Fund Balance Beginning of Year</i>	1,613,366	1,613,366	1,613,366	0
Prior Year Encumbrances Appropriated	34,055	34,055	34,055	0
<i>Unencumbered Fund Balance End of Year</i>	\$1,446,147	\$623,020	\$1,419,424	\$796,404

See accompanying notes to the basic financial statements

**Village of Silverton**  
*Hamilton County*  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2014*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$56,082</u>
<i>Total Assets</i>	<u><u>\$56,082</u></u>
<b>Net Position</b>	
Held on Behalf of Mayor's Court	45,819
Held on Behalf of Block Watch	6,042
Held on Behalf of SBA (SDI)	<u>4,221</u>
<i>Total Net Position</i>	<u><u>\$56,082</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Note 1 - Reporting Entity**

The Village of Silverton (the Village) is a chartered municipal corporation established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The municipal government is known as a Council/Manager form of government. Legislative power is vested in a six-member council elected at large for four year terms, with the Mayor's position elected as a separate position. The Council appoints a Village Manager who serves as the chief executive officer.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

***Primary Government***

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Silverton provides the following services to its citizens: police protection, parks and recreation, planning, zoning, street maintenance and repairs, and solid waste disposal. Council establishes policies and goals and approves the budget and the Village Manager is responsible for administering the budget and implementing the policies and goals through the operation and control of these activities.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

The Village participates in a public entity risk pool. This organization is presented in Note 18 to the financial statements.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

***Basis of Presentation***

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

The statement of net position presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Village.

**Fund Financial Statements** During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting**

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

**General** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the Village.

**Job Creation, Redevelopment and Growth Fund** The job creation, redevelopment and growth fund accounts for and reports property acquisition, carrying costs, maintenance, demolition, and other related expenses associated with the former school site reuse project. Other economic development related projects may also be accounted for in this fund, as they arise.

**Capital Improvements Fund** The capital improvements fund accounts for and reports all other capital improvements, including facilities, parks, and road improvements. Revenues principally come from General fund transfers.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund 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 Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for Mayor's Court, the Silverton Block Watch Fund, and the Silverton Business Association Fund.

***Basis of Accounting***

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund level for all funds. More detailed appropriation allocations may be made by the Finance Director or Village Manager as long as the allocations are within Council's appropriated amount.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Cash and Investments***

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." The Village's Mayor's Court has its own checking accounts for collection and distribution of court fines and forfeitures.

Investments of the cash management pool are presented on the financial statements as cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2014, the Village invested in federal agency securities and a money market fund. Investments are reported at cost, except for the money market fund. The Village's money market fund investment is recorded at the amount reported by US Bank on December 31, 2014.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2014 was \$9,042.

***Inventory and Prepaid Items***

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

***Employer Contributions to Cost-Sharing Pension Plans***

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-Term Obligations***

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.



**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for Mayor's Court funds, recycling, and Greater Cincinnati Credit Union Fund. None were restricted by enabling legislation.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Interfund Transactions***

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity**

Last year the Village reported financial statements in conformity with generally accepted accounting principles (GAAP). This year the Village has implemented the cash basis of accounting described in Note 2.

As described in Note 2, the Village made the following modifications to the cash basis of accounting in implementing the cash basis of accounting:

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 3 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity (Continued)**

	General	Job Creation	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Fund Balance December 31, 2013	\$1,618,239	\$0	\$179,059	\$264,774	\$2,062,072
Accruals	(4,873)	0	0	(11,307)	(\$16,180)
<i>Adjusted Fund Balance December 31, 2013</i>	<u>\$1,613,366</u>	<u>\$0</u>	<u>\$179,059</u>	<u>\$253,467</u>	<u>2,045,892</u>
Governmental Activities Net Position December 31, 2013					5,223,941
Accruals					(3,178,049)
<i>Adjusted Governmental Activities Net Position December 31, 2013</i>					<u>\$2,045,892</u>

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general, Job Creation, and Capital Improvement funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$135,332 for the general fund; \$0 for the Job Creation Fund; and \$246,060 for the Capital Improvement Fund.

**Note 5 – Deposits and Investments**

The investment and deposit of Village monies are governed by the Ohio Revised Code. Additionally, the Village adopted an investment policy in 2006 which also governs investments. Monies held by the Village are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 5 – Deposits and Investments (Continued)**

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Village had \$600 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$899,758 of the Village's bank balance of \$1,149,758 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 5 – Deposits and Investments (Continued)**

The Village has no deposit policy for custodial 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 Village 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 one hundred five percent of the deposits being secured.

***Investments***

As of December 31, 2014, the Village had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$509,924	03/30/16 - 08/26/16
Federal Home Loan Mortgage Corporation Notes	244,704	05/13/16 - 09/29/17
Federal Home Loan Bank Notes	413,057	03/13/15 - 04/30/18
Money Market Mutual Fund	4,211	N/A
Total Portfolio	<u>\$1,171,896</u>	

***Interest Rate Risk*** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy states that the maximum maturity for any investment is limited to a final stated maturity of five years. This policy is in line with State statute that also requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and that an investment must be purchased with the expectation that it will be held to maturity.

***Credit Risk*** The Village's investment policy states that investment in corporate entities must have a debt rating of Aa or better by Standard & Poors' or Moody's rating service. The Village's investment in Federal Home Loan Bank, Fannie Mae, Freddie Mac and U.S. Treasury Notes were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in Money Market Funds were not rated.

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 5 – Deposits and Investments (Continued)**

**Concentration of Credit Risk** The Village places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2014:

Investment Issuer	Percentage of Investments
Federal National Mortgage Association Notes	44.00 %
Federal Home Loan Mortgage Corporation Notes	21.00
Federal Home Loan Bank Notes	35.00
Total	100.00 %

**Note 6 – Income Taxes**

The Village levies a 1.25 percent income tax on substantially all income earned in the Village. In addition, the residents of the Village are required to pay income tax on income earned outside of the Village. The Village does not allow a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village monthly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The proceeds were allocated to the General Fund.

**Note 7 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2014, was \$8.15 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$79,702,580
Public Utility Personal Property	4,228,780
Total	\$83,931,360

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 7 - Property Taxes (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

**Note 8 - Risk Management**

The Village 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 Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"). See Note 18 for further information regarding the Plan.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP.

The Village manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic health coverage through United Health Care (UHC), the third party administrator (TPA) of the program, which reviews and processes or disallows the claims. Jefferson Health Plan (JHP) releases the claims payments to the providers as a consortium outside UHC. JHP is a jointly governed organization established as a joint insurance pool. The village is a member of the Center for Local Government Benefits Pool (CLGBP) which is a member of JHP. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$150,000 per employee per year. The 2014 monthly family, employee plus one, and single premiums were \$1,597.33, \$1,095.26, and \$526.09. The TPA charges the Village an administration fee of \$41.91 per employee per month.

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 9 - Defined Benefit Pension Plans (Continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members. For the year ended December 31, 2014, members contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The Village's 2014 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for 2014 was 2 percent. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to OPERS for the years ended December 31, 2014, 2013, and 2012 were \$75,890, \$75,092, and \$92,142, respectively; 92 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

***Ohio Police and Fire Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (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. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% for police officers.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2014 through December 31, 2014. The Village's contributions to OP&F for the years ended December 31, 2014, 2013, and 2012 were \$37,162, \$115,046, and \$161,428, respectively. For 2014, 92 percent has been contributed. The full amount has been contributed for 2013 and 2012.



**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 10 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (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 for qualifying members 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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 Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to health care for 2014 was 2 percent.

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. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$10,841, \$5,362, and \$26,325, respectively; 92 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 10 - Postemployment Benefits (Continued)**

***Ohio Police and Fire Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment 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 meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent of covered payroll for police. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2014 through December 31, 2014. 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 Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police for the years ended December 31, 2014, 2013, and 2012 were \$966, \$22,511, and \$55,854, respectively. For 2014, 92 percent has been contributed. The full amount has been contributed for 2013 and 2012.

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 11 - Notes Payable**

The changes in the Village's notes payable during 2014 were as follows:

	Outstanding 12/31/13	Issued	Retired	Outstanding 12/31/14
1.5% Bond Anticipation Notes, Series 2014	\$0	\$1,570,000	\$0	\$1,570,000

The notes were issued for the purpose of acquiring real property within the Village. All note proceeds had been spent at December 31, 2014.

The notes are bond anticipation notes, are backed by the full faith and credit of the Village, and mature within one year.

**Note 12 - Debt**

The changes in the Village's long-term debt during 2014 were as follows:

	Amount Outstanding 12/31/13	Additions	Deletions	Amount Outstanding 12/31/14
General Obligation Bonds				
2010 Building Acquisition Bonds	\$240,000		(\$10,000)	\$230,000
Total General Obligation Bonds	240,000	0	(10,000)	230,000
OPWC Loans				
Fire Hydrants	114,196		(10,876)	103,320
Stoll Lane	261,890		(22,773)	239,117
East Gatewood Lane	94,245		(8,195)	86,050
Sampson Lane	173,453		(12,848)	160,605
Plainfield Road South	355,300		(25,379)	329,921
Belkenton and Grace Avenue	137,128		(8,571)	128,557
East Avenue	117,201		(5,327)	111,874
Total OPWC Loans	1,253,413	0	(93,969)	1,159,444
Total Governmental Activities	\$1,493,413	\$0	(\$103,969)	\$1,389,444

In October 2001, the Village entered into a project loan agreement with the Ohio Public Works Commission for fire hydrant replacements. The original loan amount was \$217,518, payable over 20 years, without interest. The Village of Silverton is responsible for the OPWC fire hydrant loan payments; however, due to terms pertaining to the Joint Fire District, the Village of Deer Park is reimbursing the Village 70.61 percent of the loan payments.

In July 2002, the Village entered into a project loan agreement with the Ohio Public Works Commission for the purpose of making improvements to Stoll Lane. The original loan amount was \$455,461, payable over 20 years without interest.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 12 – Debt (Continued)**

In 2003 the Village issued Various Purpose General Obligation Refunding Bonds in the amount of \$379,100. The bonds were issued at an interest rate of 3.69% through 2012.

In December 2004 the Village finalized a loan agreement with the Ohio Public Works Commission for \$163,903, without interest, in street upgrades to East Gatewood Lane which were completed in 2004.

During 2006, improvements to Sampson Lane were completed. The Village received \$256,966 from the Ohio Public Works Commission and will repay the loan over the next 20 years, without interest.

During 2006, improvements to Plainfield Road South began. As of December 31, 2006 the Village had received \$222,753 from the Ohio Public Works Commission. During 2008 an additional \$284,819 was received for a total of \$507,572 for the project. All work was completed in 2008 and repayment of the loan began without interest.

During 2008, improvements to Belkenton and Grace Avenue began. The Village had received \$171,411 from the Ohio Public Works Commission. Repayment of the loan began in 2010 without interest.

During 2009, improvements to East Avenue began. As of December 31, 2011, the Village received \$133,182 from the Ohio Public Works Commission. Repayment of the loan began in 2011 without interest.

On April 13, 2009, the Village issued a bond anticipation note in the amount of \$900,000, with an interest rate of 3.55 percent. The note matured on April 12, 2010 and the Village issued Building Acquisition Bonds in the amount of \$930,000. The bonds were issued at an interest rate of 4.74% through 2029. On February 2, 2011, the Village partially defeased the 2010 Building Acquisition Bonds. This was a consequence of the sale of the building acquired with the bonds, plus the adjoining parking lot parcels, on December 9, 2010. The amount that was defeased was \$605,000.

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 2014, were as follows:

Year	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2015	\$10,000	\$10,410	\$93,969
2016	15,000	10,000	93,969
2017	15,000	9,385	93,969
2018	15,000	8,770	93,969
2019	15,000	8,155	93,969
2020-2024	80,000	31,190	464,406
2025-2029	80,000	11,500	193,230
2030-2034			26,636
2035			5,327
<b>Total</b>	<b>\$230,000</b>	<b>\$89,410</b>	<b>\$1,159,444</b>

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 13 – Fund Balances**

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

Fund Balances	General Fund	Job Creation	Capital Improvement	Other Governmental Funds	Total
<b>Restricted for</b>					
Street Maintenance				83,417	83,417
State Highway				69,916	69,916
Mayor's Court Computer				4,774	4,774
Recycling				4,738	4,738
Mayor's Court Special Project				3,832	3,832
Entry of Forfeiture				2,436	2,436
Drug Offender				767	767
Capital Improvement			363,301		363,301
Park Improvement				7,319	7,319
GCCU Common Area				9,543	9,543
OPWC Improvement				76,488	76,488
Job Creation		56,596			56,596
<i>Total Restricted</i>	0	56,596	363,301	263,230	683,127
<b>Committed to</b>					
Capital Equipment				48,857	48,857
<i>Total Committed</i>	0	0	0	48,857	48,857
<b>Assigned to</b>					
Debt Service				2,503	2,503
Next Year's Budget	486,013				486,013
<i>Total Assigned</i>	486,013	0	0	2,503	488,516
Unassigned (deficits):	1,034,688				1,034,688
<i>Total Fund Balances</i>	\$1,520,701	\$56,596	\$363,301	\$314,590	\$2,255,188

**VILLAGE OF SILVERTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 14 - Interfund Transfers**

During 2014 the following transfers were made:

<u>Transfers To</u>	<u>Transfers From</u>		<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	
<b>General Fund</b>		\$4,354	4,354
<b>Job Creation Fund</b>	\$43,000		43,000
<b>Capital Improvement Fund</b>	300,000		300,000
<b>Other Governmental Funds</b>			
Street Maintenance	95,000		95,000
Park Improvement	5,992		5,992
GCCU Common Area	6,333		6,333
OPWC Improvement	151,800		151,800
Capital Equipment	45,000		45,000
Debt Retirement	107,000		107,000
Total	<u>\$754,125</u>	<u>\$4,354</u>	<u>\$758,479</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, except as noted below.

The general fund transfers to the other governmental funds were made to provide additional resources for current operations, capital improvements, and debt service payments. The other governmental funds transfer to the general fund was court-ordered to close the Diehl Avenue Improvements Fund.

**Note 15 – Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 16 – Joint Venture**

The Village is a member of the Deer Park-Silverton Joint Fire District, which is a joint venture between the Village of Silverton and the City of Deer Park. The joint venture was created to provide fire protection services to the residents of the two cities.

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 16 – Joint Venture (Continued)**

The Fire District Board of Trustees consists of eight trustees, with each Village appointing four of the trustees. The Village's ability to effect operations is limited to its representation on the Board. The funding for the operation of the Fire District is provided by tax revenues from a continuing levy approved by the electorate of both cities. There is no explicit and measurable equity interest in the fire district. The Joint Fire District has not accumulated significant financial resources or experiencing fiscal distress that may cause additional burden to the Village.

**Note 17 – Public Entity Risk Pool**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 783 members as of December 31, 2014.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2014.

Assets	\$14,830,185
Liabilities	<u>(8,942,504)</u>
Members' Equity	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**Note 17 – Public Entity Risk Pool (Continued)**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 18 – Subsequent Events**

**\$900K Taxable Real Estate BAN:**

In 2014 and 2015, the Village authorized the Village Manager to enter into contracts to purchase twelve real estate parcels in 2015 for future economic development. The total contract price amounts to ~\$1.9 million. As of July, the Village purchased ten of these properties at a cost of ~\$1.4 million. The acquisitions to date were partially funded by a \$900k Real Estate BAN issued May 28, 2015 and maturing November 2015.

**\$390K Non-Taxable Road Improvement BAN:**

In 2012, the Village created a TIF (Tax Increment Financing) around the expanding BMW/Mini-Coop property on Stewart Road. Council awarded a contract on April 16, 2015 to resurface Stewart Road surrounding the property. The county did not place a taxable value on the property at the end of 2013 or 2014, even though BMW had developed more than 25% of the project. (Hamilton County requires 25% completion to place a value). This means that the Village will not receive any TIF tax revenue in 2015. The Village funded the 2015 gap year with a \$390k BAN issued May 28, 2015 and maturing May 2016.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Silverton  
Hamilton County  
6860 Plainfield Road  
Silverton, Ohio 45236

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton, Hamilton County, Ohio (the Village) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 9, 2015, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 9, 2015

**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

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

**FINDING NUMBER 2014-001**

**Significant Deficiency**

The Village of Silverton procedures manual for property room management, Procedure 7.00, Section IV.G., provides for the disposition of unclaimed money, property or evidence as follows:

- a.) Unclaimed property or forfeited property may only be disposed of in accordance with the provisions of Ohio Revised Code outlining the disposition of property held by a law enforcement agency.
- b.) The property custodian will determine what items are unclaimed and provide the Chief of Police with a list of items to be disposed of, at which time the Chief of Police will request permission from the Mayor or City Manager to dispose of said property.
- c.) Items may be disposed of in one of the following ways, Destroyed, Converted to City use or Auctioned.

The Village's Mayor's Court Evidence bank account totaled \$36,184 at December 31, 2014. The Mayor's Court indicated that these funds consist of unclaimed monies from closed cases, with dates ranging from January 27, 2005 through July 30, 2014. These funds should have been disposed of in accordance with the Village procedure manual and the related Ohio Revised Code sections.

We recommend that the Village investigate the resolution of the cases related to the funds in the Mayor's Court Evidence bank account, determine the resolutions of the case, and distribute the monies to the appropriate persons or agencies in accordance with their policy and the Ohio Revised Code.

**Officials' Response:**

The AOS noted that the Village of Silverton has \$36,184 of unclaimed funds from Silverton police cases ranging from January 27, 2005 to July 30, 2014. The AOS notes these funds should have been disposed of according to Village policy and state law some time ago. We concur.

The Silverton Police Department is no longer in existence, effective April 30 of 2015, and law enforcement functions are now provided through a contract with the Hamilton County Sheriff's Office. The disposition of seized or unclaimed property should be handled properly starting from the time they assumed patrol responsibilities for Silverton, or August 1, 2014.

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**VILLAGE OF SILVERTON  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code § 5705.41(D), failure to properly encumber funds	No	Reported in Management Letter

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# Dave Yost • Auditor of State

**VILLAGE OF SILVERTON**

**HAMILTON 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  
NOVEMBER 24, 2015**