



**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



Mary Taylor, CPA
Auditor of State

VILLAGE OF SILVER LAKE
SUMMIT COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Silver Lake
Summit County
2961 Kent Road
Silver Lake, Ohio 44224

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Silver Lake, Summit County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Silver Lake, Summit County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 30, 2007

Village of Silver Lake
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the Village of Silver Lake, Summit County, Ohio, (the Village) financial performance provides an overview of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$173,465, or 9 percent, due to the completion of several projects.

The Village's general receipts are primarily property taxes, grants and entitlements not restricted to specific programs and income taxes. These receipts represent respectively 44, 25 and 19 percent of the total cash received for governmental activities during the year. Property taxes increased a moderate 3 percent while income tax receipts for 2004 changed very little compared to 2003.

The water operation of the Village lost (\$3,529) while the sewer operations had a net operating income of \$159,152. The excess operating income will be used to pay 2005 debt service payments related to sewer improvements completed in prior years.

The Village established a storm water utility late in 2003 which went into operation in 2004.

The Village paid \$263,634 to the City of Stow last year as part of its contract for Fire, EMS and Dispatch services provided by the City.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Silver Lake
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has three business-type activities, the provision of water, sewer and storm water. Council has also set up two funds to accumulate monies for capital projects specifically related to water and sewer activities; water capital fund and sewer capital fund. A utility deposits fund has been set up for new customers to assure timely payments of utility invoices. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of Silver Lake
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village has two major governmental funds: the general fund and the general capital projects fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village currently has six enterprise funds, the water fund, the sewer fund, the water capital fund, the sewer capital fund, the storm water fund and the utilities deposits fund.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water, Sewer, and Water Capital funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The sewer fund has a related Sewer Capital Fund which consists of monies set aside for the improvement of sewer facilities.

Water Capital Fund – The water capital fund accounts for the provision of funding present and future capital projects related to the Village water distribution system. During 2004 the only income to the fund was derived from the General Fund in the form of transfers for interest.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village currently has one fiduciary fund: the Silver Lake School Playground Fund.

Village of Silver Lake
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2004 on a modified cash basis:

Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years when prior year information is available, a comparative analysis will be presented.

(Table 1)
Net Assets

	2004		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	\$1,245,586	\$1,081,156	\$2,326,742
Investments	501,000		501,000
Total Assets	\$1,746,586	\$1,081,156	\$2,827,742
Net Assets			
Restricted for:			
Debt Service	\$49,094		\$49,094
Capital Projects	468,059		468,059
Other Purposes	257,416		257,416
Unrestricted	972,017	1,081,156	2,053,173
Total Net Assets	\$1,746,586	\$1,081,156	\$2,827,742

As mentioned previously, net assets of governmental activities decreased \$173,465 or 9 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Slow growth in local tax receipts. Over the last five years, new construction and major remodeling have resulted in increases in assessed valuation averaging over \$2,373,660. Due to the slowing economy, the Village suffered a negative impact, losing \$686,831 from the assessed valuation in 2004. Local wages have also not increased, resulting in little change in income tax receipts compared to last year.
- Increases in salaries of 3 percent for Village employees.
- Health benefit costs grew moderately as two employees were added to the Village's health care plan. Last year's premium payments for health, life and employee assistance programs were \$112,609 while this year premium payments totaled \$121,074.
- Completion of several capital projects: The Graham Road Improvements Project, Street lighting on Athens and Millboro Roads, Storm Sewer Improvements and Culvert Replacement on Dover Road, and installing an emergency generator at Town Hall.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Village of Silver Lake
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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(Table 2)
Changes in Net Assets

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$127,722	\$876,534	\$1,004,256
Operating Grants and Contributions	87,923		87,923
Capital Grants		39,722	39,722
Total Program Receipts	<u>215,645</u>	<u>916,256</u>	<u>1,131,901</u>
General Receipts:			
Property and Other Local Taxes	982,543		982,543
Grants and Entitlements Not Restricted to Specific Programs	551,914		551,914
Income Taxes	412,974		412,974
Interest	37,728		37,728
Miscellaneous	1,800		1,800
Other	8,065		8,065
Total General Receipts	<u>1,995,024</u>		<u>1,995,024</u>
Total Receipts	<u>2,210,669</u>	<u>916,256</u>	<u>3,126,925</u>
Disbursements:			
General Government	497,972		497,972
Security of Persons and Property	999,076		999,076
Public Health Services	27,167		27,167
Leisure Time Activities	60,410		60,410
Community Environment	5,954		5,954
Transportation	619,409		619,409
Capital Outlay	133,671	39,722	173,393
Principal Retirement	20,000		20,000
Interest and Fiscal Charges	8,310		8,310
Other	115		115
Water		369,365	369,365
Sewer		314,896	314,896
Utilities Deposits		6,679	6,679
Water Capital		30,007	30,007
Sewer Capital		151,519	151,519
Storm Water		9,369	9,369
Total Disbursements	<u>2,372,084</u>	<u>921,557</u>	<u>3,293,641</u>
Excess (Deficiency) Before Transfers	(161,415)	(5,301)	(166,716)
Transfers	(12,050)	12,020	(30)
Increase (Decrease) in Net Assets	<u>(173,465)</u>	<u>6,719</u>	<u>(166,746)</u>
Net Assets, January 1, 2004	<u>1,920,051</u>	<u>1,074,437</u>	<u>2,994,488</u>
Net Assets, December 31, 2004	<u>\$1,746,586</u>	<u>\$1,081,156</u>	<u>\$2,827,742</u>

Village of Silver Lake
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Program receipts represent 36 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees.

General receipts represent 64 percent of the Village's total receipts, and of this amount, over 70 percent are local taxes. Interest from investments make up the balance of the Village's general receipts (1.9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the clerk-treasurer, administrative and income tax departments, as well as other services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to less than 25 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the community environment department promotes compliance with community and zoning requirements which keep the Village an attractive option for housing; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account respectively for 26 percent and 42 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 21 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of Silver Lake
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 3)
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
General Government	\$497,972	(\$470,069)
Security of Persons and Property	999,076	(939,648)
Public Health Services	27,167	(27,167)
Leisure Time Activities	60,410	(60,410)
Community Environment	5,954	(3,372)
Transportation	619,410	(536,420)
Capital Outlay	133,671	(115,957)
Principal Retirement	20,000	5,029
Interest and Fiscal Charges	8,310	(8,310)
Other Uses	115	(115)
Total Expenses	\$2,372,084	(\$2,156,439)

The dependence upon property and income tax receipts is apparent as over 59 percent of governmental activities are supported through these general receipts.

Business-Type Activities

The water operation of the Village experienced a small operating loss but ended the year with a healthy \$107,074 net asset balance. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded.

The sewer operation of the Village experienced a net operating income of \$159,152 which will be used in 2005 for debt service payments. The Village recognizes inflow and infiltration (I&I) problems exist in various areas of the municipality. These problems cause sewer and storm water backups into residential homes. The Village has begun investigation into this matter and has begun discussing plans to mitigate these issues.

The storm water utility began operations in January 2004. The utility was established to help cover the costs associated with United States Environmental Protection Agency (USEPA) requirements for storm water management. The Village hired an additional employee in the service department this year as a result of the USEPA mandates. The storm water utility disbursements include one-third of the salary for this additional manpower.

The Village's Funds

Total governmental funds had receipts of \$2,245,892 and disbursements of \$2,419,357. The greatest change within governmental funds occurred within the General Capital Projects Fund. The fund balance of the General Capital Projects Fund decreased \$265,877 resulting from the completion of various Village projects.

General Fund receipts and other financing sources were more than disbursements and other financing uses by \$107,055 indicating that the General Fund is in a surplus situation. This is due to unexpected revenues received for inheritance taxes. Inheritance taxes are usually not estimated to meet general operation obligations as they are considered unpredictable.

Village of Silver Lake
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General Fund Budgeting Highlights

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

During 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above original budgeted receipts due to increased receipts in Intergovernmental Revenues. The difference between final budgeted receipts and actual receipts was due to unanticipated collection of inheritance taxes of \$88,775.

Final disbursements and other financing uses were budgeted at \$2,104,283 while actual disbursements and other financing uses were \$1,965,330. The Village kept spending below budgeted amounts as demonstrated by the reported variances.

Capital Assets and Debt Administration

Capital Assets

The Village currently keeps track of its capital assets and infrastructure for insurance purposes.

Debt

At December 31, 2004, the Village's outstanding debt included \$120,000 in general obligation bonds issued for various improvements to buildings, streets, and curbs, and \$578,714 in Ohio Water Development Authority loans, \$662,298 in Ohio Public Works Commission loans, and \$595,185 in a Summit County Department of Environmental Services loan for sewer facilities improvements. For further information regarding the Village's debt, refer to Note 12 on Pages 32 and 33, to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little commercial establishments to support the tax base. As of February 28, 2006, our newly prepared financial forecast predicts a deficit for 2006; however, it is "planned spending" in order to efficiently and effectively use excess funds remaining in the General Fund for the betterment of the Village. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village.

Contacting the Village of Silver Lake's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Teresa M. Spohn, MMC, CPFA, Clerk-Treasurer, Village of Silver Lake, 2961 Kent Road, Silver Lake, Ohio 44224-3098, Phone: 330-923-5233, Fax: 330-923-6965 or e-mail: clerk-treasurer@villageofsilverlake.com.

**Village of Silver Lake
Summit County**

*Statement of Net Assets - Modified Cash Basis
December 31, 2004*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$1,245,586	\$1,081,156	\$2,326,742
Investments	501,000		501,000
<i>Total Assets</i>	<u>\$1,746,586</u>	<u>\$1,081,156</u>	<u>\$2,827,742</u>
Restricted Net Assets			
Debt Service	\$49,094		\$49,094
Capital Projects	468,059		468,059
Other Purposes	257,416		257,416
Total Restricted Net Assets	<u>774,569</u>		<u>774,569</u>
<i>Unrestricted Net Assets</i>	<u>972,017</u>	<u>\$1,081,156</u>	<u>2,053,173</u>
Total Net Assets	<u>\$1,746,586</u>	<u>\$1,081,156</u>	<u>\$2,827,742</u>

See accompanying notes to the basic financial statements

**Village of Silver Lake
Summit County**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets	
	Cash	Charges	Operating	Capital Grants	Governmental	Business-Type
	Disbursements	for Services	Grants and Contributions	and Contributions	Activities	Activities
						Total
Governmental Activities						
Capital Outlay	\$133,671	\$17,714			(\$115,957)	(\$115,957)
Community Environment	5,954	2,582			(3,372)	(3,372)
Debt Service - Interest	8,310				(8,310)	(8,310)
Debt Service - Principal	20,000	25,029			5,029	5,029
General Government	497,972	24,550	\$3,353		(470,069)	(470,069)
Leisure Time Activities	60,410				(60,410)	(60,410)
Other Financing Uses	115				(115)	(115)
Public Health Services	27,167				(27,167)	(27,167)
Security of Persons and Property	999,076	57,847	1,581		(939,648)	(939,648)
Transportation	619,409		82,989		(536,420)	(536,420)
Total Governmental Activities	2,372,084	127,722	87,923	39,722	(2,156,439)	(2,156,439)
Business Type Activities						
Sewer Capital Fund	151,519				(\$151,519)	(151,519)
Sewer Fund	354,618	474,047		\$39,722	159,151	159,151
Storm Water Utility	9,369	29,350			19,981	19,981
Utility Trust Deposits	6,679	7,300			621	621
Water Capital Fund	30,007				(30,007)	(30,007)
Water Fund	369,365	365,837			(3,528)	(3,528)
Total Business Type Activities	921,557	876,534		39,722	(5,301)	(5,301)
Total	\$3,293,641	\$1,004,256	\$87,923	\$39,722	(\$2,156,439)	(\$5,301)
General Receipts and Transfers						
Property and Other Local Taxes:				\$982,543		\$982,543
Grants and Entitlements Not Restricted to Specific Programs				551,914		551,914
Income Taxes				412,974		412,974
Earnings on Investments				37,728		37,728
Miscellaneous				1,800		1,800
Sale of Equipment				4,900		4,900
Miscellaneous Rebates and Reimbursement				3,165		3,165
Total General Receipts				1,995,024		1,995,024
Transfers				(12,050)	\$12,020	(30)
Total General Receipts and Transfers				1,982,974	12,020	1,994,994
Change in Net Assets				(173,465)	6,719	(166,746)
<i>Net Assets Beginning of Year</i>				1,920,051	1,074,437	2,994,488
<i>Net Assets End of Year</i>				\$1,746,586	\$1,081,156	\$2,827,742

See accompanying notes to the basic financial statements

**Village of Silver Lake
Summit County**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004*

	General	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$471,017	\$468,059	\$306,510	\$1,245,586
Investments	501,000			501,000
<i>Total Assets</i>	<u>\$972,017</u>	<u>\$468,059</u>	<u>\$306,510</u>	<u>\$1,746,586</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$15,614	\$2,250	\$1,292	\$19,156
Unreserved:				
General Fund	956,403			956,403
Special Revenue Funds			256,124	256,124
Capital Projects Funds		465,809		465,809
Debt Service			49,094	49,094
<i>Total Fund Balances</i>	<u>\$972,017</u>	<u>\$468,059</u>	<u>\$306,510</u>	<u>\$1,746,586</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$961,110		\$27,327	\$988,437
Income Taxes	412,974			412,974
Intergovernmental	554,891		78,674	633,565
Special Assessments	377	\$17,714	25,029	43,120
Charges for Services	35,889		2,707	38,596
Fines, Licenses, and Permits	45,713		545	46,258
Earnings on Investments	36,027		1,701	37,728
Miscellaneous	1,725		200	1,925
<i>Total Receipts</i>	<u>2,048,706</u>	<u>17,714</u>	<u>136,183</u>	<u>2,202,603</u>
Disbursements				
Security of Persons and Property	977,829		21,247	999,076
Public Health Services	27,167			27,167
Leisure Time Activities	60,286		124	60,410
Community Environment	5,954			5,954
Transportation	369,086	138,731	111,592	619,409
General Government	462,005	34,673	1,293	497,971
Capital Outlay		133,671		133,671
Debt Service - Principal			20,000	20,000
Debt Service - Interest			8,310	8,310
<i>Total Disbursements</i>	<u>1,902,327</u>	<u>307,075</u>	<u>162,566</u>	<u>2,371,968</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>146,379</u>	<u>(289,361)</u>	<u>(26,383)</u>	<u>(169,365)</u>
Other Financing Sources (Uses)				
Other Financing Sources	8,065			8,065
Other Financing Uses	(115)			(115)
Transfers In		23,484	11,740	35,224
Transfers Out	(47,274)			(47,274)
<i>Total Other Financing Sources (Uses)</i>	<u>(39,324)</u>	<u>23,484</u>	<u>11,740</u>	<u>(4,100)</u>
<i>Net Change in Fund Balances</i>	107,055	(265,877)	(14,643)	(173,465)
<i>Fund Balances Beginning of Year</i>	<u>864,962</u>	<u>733,936</u>	<u>321,153</u>	<u>1,920,051</u>
<i>Fund Balances End of Year</i>	<u>\$972,017</u>	<u>\$468,059</u>	<u>\$306,510</u>	<u>\$1,746,586</u>

See accompanying notes to the financial statements

**Village of Silver Lake
Summit County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund*

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,366,461	\$1,366,461	\$1,374,084	\$7,623
Intergovernmental	466,116	466,116	554,891	88,775
Special Assessments			377	377
Charges for Services	43,289	43,289	35,889	(7,400)
Fines, Licenses and Permits	42,650	42,650	45,713	3,063
Earnings on Investments	40,000	40,000	36,027	(3,973)
Miscellaneous	2,700	2,700	1,725	(975)
<i>Total Receipts</i>	1,961,216	1,961,216	2,048,706	87,490
Disbursements				
Security of Persons and Property	1,011,407	1,014,518	981,343	33,175
Public Health Services	27,167	27,167	27,167	0
Leisure Time Activities	71,438	71,395	60,286	11,109
Community Environment	11,406	11,363	5,954	5,409
Transportation	410,645	409,899	372,527	37,372
General Government	527,040	519,691	470,664	49,027
<i>Total Disbursements</i>	2,059,103	2,054,033	1,917,941	136,092
Other Financing Sources (Uses)				
Miscellaneous Rebates and Reimbursements	759	759	3,165	2,406
Sale of Equipment	2,000	2,000	4,900	2,900
Refunds	(250)	(250)	(115)	135
Transfers Out	0	(11,740)	(11,740)	0
Transfers Out - Interest	(50,000)	(38,260)	(35,534)	2,726
<i>Total Other Financing Sources (Uses)</i>	(47,491)	(47,491)	(39,324)	8,167
<i>Net Change in Fund Balance</i>	(145,378)	(140,308)	91,441	231,749
<i>Fund Balance Beginning of Year</i>	880,576	880,576	880,576	0
<i>Fund Balance End of Year</i>	\$735,198	\$740,268	\$972,017	\$231,749

See accompanying notes to the basic financial statements

**Village of Silver Lake
Summit County**

*Statement of Net Assets
Proprietary Funds
For the Year Ended December 31, 2004*

	Business Type Activities				Total
	Water Fund	Sewer Fund	Water Capital Fund	Other Enterprise Funds	
Assets					
Cash and Cash Equivalents	\$107,075	\$631,304	\$235,426	\$107,351	\$1,081,156
Net Assets					
Fund Balance - Unrestricted	107,075	631,304	235,426	107,351	1,081,156
<i>Total Net Assets</i>	<i>\$107,075</i>	<i>\$631,304</i>	<i>\$235,426</i>	<i>\$107,351</i>	<i>\$1,081,156</i>

See accompanying notes to the basic financial statements

Village of Silver Lake
Summit County
Statement of Cash Receipts, Disbursements and Changes
In Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities				Total
	Water Fund	Sewer Fund	Water Capital Fund	Other Funds	
Operating Receipts					
Charges for Services	\$365,087	\$473,942		\$29,350	\$868,379
Deposits				7,300	7,300
Other - Utilities	750				750
Other - Charges for Services		95			95
Other - Licenses and Permits		10			10
<i>Total Operating Receipts</i>	<u>365,837</u>	<u>474,047</u>		<u>36,650</u>	<u>876,534</u>
Operating Disbursements					
Billing - Water	69,879				69,879
Supply/Purchase - Water	299,012				299,012
Billing - Sanitary and Sewage		267,828			267,828
Other - Sanitary and Sewage		46,538			46,538
Other - Storm Sewers and Drains				9,358	9,358
Capital Outlay		39,722	\$30,007	53,463	123,192
Debt Service - Principal				57,138	57,138
Debt Service - Interest				40,918	40,918
<i>Total Operating Disbursements</i>	<u>368,891</u>	<u>354,088</u>	<u>30,007</u>	<u>160,877</u>	<u>913,863</u>
Non-Operating Receipts and Disbursements					
Transfers- In			4,146	7,874	12,020
Proceeds of Loans		39,722			39,722
Other Financing Uses	(475)	(529)		(6,690)	(7,694)
<i>Total Non-Operating Receipts and Disbursements</i>	<u>(475)</u>	<u>39,193</u>	<u>4,146</u>	<u>1,184</u>	<u>44,048</u>
<i>Change in Net Assets</i>	<u>(3,529)</u>	<u>159,152</u>	<u>(25,861)</u>	<u>(123,043)</u>	<u>6,719</u>
<i>Net Assets Beginning of Year</i>	<u>110,603</u>	<u>472,153</u>	<u>261,286</u>	<u>230,395</u>	<u>1,074,437</u>
<i>Net Assets End of Year</i>	<u>\$107,074</u>	<u>\$631,305</u>	<u>\$235,425</u>	<u>\$107,352</u>	<u>\$1,081,156</u>

See accompanying notes to the basic financial statements

Village of Silver Lake
Summit County

Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,511</u>
<i>Total Assets</i>	<u><u>\$2,511</u></u>
Net Assets	
Unrestricted	<u><u>\$2,511</u></u>

See accompanying notes to the basic financial statements

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 1 – Reporting Entity

The Village of Silver Lake, Summit County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member Council elected three (3) at large and four (4) by district for four year terms. The Mayor is elected to a four-year term and has no voting privileges.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer and storm water utilities, maintenance of Village roads, park operations, and police services. The Village appropriates general fund money to support a contract with the City of Stow for police dispatch, fire, and emergency medical services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets 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 assets 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. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash and investment balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type 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 and grants and contributions restricted to meeting the operational or capital requirements of 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 function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds 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 and enterprise 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.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund and General Capital Projects Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose. The General Capital Projects Fund is used to account for capital equipment purchased and capital projects completed by the Village.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water, Sewer, and Water Capital funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The sewer fund has a related Sewer Capital Fund which consists of monies set aside for the improvement of sewer facilities.

Water Capital Fund – The water capital fund accounts for the provision of funding present and future capital projects related to the Village water distribution system. During 2004 the only income to the fund was derived from the General Fund in the form of transfers for interest.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no private purpose trust fund accounts during the reporting year. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

The Village currently has one agency fund:

The Silver Lake School Playground Fund which was established in 1999 to provide current and future maintenance and purchase of playground equipment at Silver Lake Elementary School.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified 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.

D. 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 the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. 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 the 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 the Village Council during the year.

As part of the formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

At the close of each 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 succeeding year and is not re-appropriated.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

E. 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”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 2004, the Village invested in a U.S. Agency Bond, a money market fund, and STAR Ohio. The U.S. Government Bond is reported at cost. The Village’s money market fund investment is recorded at the amount reported by Bank One (aka JP Morgan Chase Bank) at December 31, 2004.

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, 2004.

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 2004 was \$36,027 part of which was transferred, by resolution, to the general capital fund (\$23,484), water capital fund (\$4,146), sewer capital fund (\$7,874), and the Silver Lake School Playground projects fund (\$30).

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

G. Inventory and Prepaid Items

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

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items would not be reflected as assets and liabilities in the accompanying financial statements. During 2004, the Village had no advances.

J. 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 modified cash basis of accounting, however, an accrued liabilities fund has been created to set aside resources from which employees who have accumulated unpaid leave are paid.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the 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 other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. The total transfers-in and transfers-out on the Statement of Activities differ by \$30. The reason for this difference is due to interest being transferred to the Silver Lake School Playground Fund which is an agency fund, which is not shown in the government-wide financial statements.

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.

P. 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 Village administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

In addition, the police pension fund, park board memorial fund and performance bond fund were previously reported as Trust and Agency Funds and were reclassified as Special Revenue Funds, which are reflected within the aggregate remaining fund information.

The restatement of the governmental funds are as follows:

	<u>Trust and Agency Funds</u>	<u>Special Revenue Funds</u>
Fund Balance –December 31, 2003	\$23,085	\$247,792
Reclassification of Police Pension Fund	(2,687)	2,687
Reclassification of Park Board Memorial Fund	(1,684)	1,684
Reclassification of Performance Bond Fund	<u>(16,233)</u>	<u>16,233</u>
Adjusted Net Assets – December 31, 2003	<u>\$ 2,481</u>	<u>\$268,396</u>

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

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 fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$15,614 for the general fund. There were no outstanding advances at year end.

Note 5 - Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies 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.

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 2 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;

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 5 - Deposits and Investments (continued)

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.

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, \$1,147,463 of the Village's bank balance of \$1,347,463 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.

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, 2004, the Village had the following investments

Investment Type	Carrying Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
US Agency Bond Federal	\$501,000	\$0	\$501,000	\$0	\$0
STAR Ohio	1,042,274	1,042,274	0	0	0
Total Investments	\$1,543,274	\$1,042,274	\$501,000	\$0	\$0

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 5 - Deposits and Investments (continued)

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 U.S. Agency Bond is 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."

Note 6– Income Taxes

The Village levies a 2 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 2 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7– Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. 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.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 7– Property Taxes (continued)

The full tax rate for all Village operations for the year ended December 31, 2004, was \$13.75 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Residential/Agriculture Real Value	\$ 76,960,150
Other Real Property	2,053,860
Public Utility Personal Value	<u>1,038,490</u>
Total-Real Value	80,052,500
Personal Tangible Value	390,670
Total Value-Real and Tangible	<u>\$ 80,443,170</u>

Note 8 - Capital Assets

The Village does not report and depreciate capital assets resulting from cash transactions.

Note 9– 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 maintains commercial insurance coverages for Public Officials Liability, Automobile Collision and Liability, Law Enforcement, Employment Practices, Property/Inland Marine and an Umbrella Policy. The total premiums for 2004 totaled \$30,783.

The Village also provides health and life insurances, dental, and vision care to full-time employees through a private carrier. The premiums for these employee benefits 2004 totaled \$121,074.

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 10 - Defined Benefit Pension Plans (continued)

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their gross wages and the Village contributed an amount equal to 9.55 percent of participants' gross salaries. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$89,426, \$84,921, and \$79,486 respectively. The full amount has been contributed for 2004, 2003 and 2002.

B. Ohio Police and Fire Pension Fund

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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2004, 2003, and 2002 were \$73,481 \$75,152, and \$70,925. The full amount has been contributed for 2004, 2003 and 2002.

Note 11- Post Employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government employers." A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases.

Health care premiums were assumed to increase 1.00 to 6.00 percent annually for the next eight years and 4 percent annually after that.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 11- Post Employment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$26,399. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2004 that were used to fund postemployment benefits were \$30,249 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

C. Social Security System Council members not otherwise covered by OPERS are covered by Social Security. The Village's liability is 6.2 percent of wages paid.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 12– Debt

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1996 Issue	6.1%	\$140,000	\$ 0	\$20,000	\$120,000	\$20,000
(Original Amount \$ 260,000)						
<u>Business-Type Activities</u>						
2000 OWDA Loan	3.5%	115,648	0	5,501	110,147	5,696
(Original Amount \$135,840)						
2002 OWDA Loan	4.16%	168,458	0	6,708	161,750	6,990
(Original Amount \$188,682)						
2002 OWDA Loan	3.64%	143,290	(3,107)	2,088	138,095	5,764
(Original Amount \$158,574)						
2003 OWDA Loan	3.03%	<u>156,288</u>	<u>19,860</u>	<u>7,426</u>	<u>168,722</u>	<u>5,167</u>
(Original Amount \$179,779)						
Total for OWDA Loans		<u>583,684</u>	<u>16,753</u>	<u>21,723</u>	<u>578,714</u>	<u>23,617</u>
1996 Issue 2 Loan	0%	44,305	0	3,692	40,613	3,692
(Original Amount \$73,842)						
1999 Issue 2 Loan	0%	155,484	0	10,031	145,453	10,031
(Original Amount \$200,624)						
2002 Issue 2 Loan	0%	170,827	0	9,234	161,593	9,234
(Original Amount \$184,061)						
2002 Issue 2 Loan	0%	147,318	0	7,963	139,355	7,963
(Original Amount \$159,263)						
2004 Issue 2 Loan	0%	<u>159,918</u>	<u>19,861</u>	<u>4,495</u>	<u>175,284</u>	<u>8,989</u>
(Original Amount \$179,779)						
Total Issue 2 Loans		<u>677,852</u>	<u>19,861</u>	<u>35,415</u>	<u>662,298</u>	<u>39,909</u>
2000 Summit County Dept. of Environmental Services Mudbrook Improvements	6.1%	595,185	0	0	595,185	42,469
(Original Amount \$660,235)						

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 12– Debt (continued)

The Ohio Water Development Authority (OWDA) loans relate to sanitary sewer system improvements projects. The loans will be repaid in semiannual installments totaling approximately \$22,970, including interest, over the next 15 to 20 years. The loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Adjustments to the principal balances were for interest charged and paid and then credited by OWDA to the principal balance.

The general obligation bonds relate to the financing of various sidewalk and curbing projects completed in the Village during the early 1990's. The general obligation bonds are being paid for by special assessments to the affected property owners.

The Issue 2 (aka Ohio Public Works Commission) loans were obtained for the purpose of paying for the costs of sanitary sewer improvements to the Village's sewer system. The loans will be repaid in semi-annual installments totaling approximately \$19,955 over the next 10 to 20 years.

The Village is paying semiannual installments to the Summit County Department of Environmental Services for the village's pro-rata share of capital improvements made to the Mudbrook Trunk Sewer System which the Village utilizes as part of its wastewater treatment facilities contract. The semi-annual installments total approximately \$26,600 over the next 10 to 20 years.

The following is a summary of the Village's future annual debt service requirements:

Year	General Obligation Bonds		OWDA Loans		Issue 2 Loans		Summit County	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 20,000	\$ 7,240	\$ 24,413	\$ 20,528	\$ 39,909	\$ 0	\$ 42,469	\$ 31,499
2006	5,000	6,150	26,330	19,608	39,909	0	22,775	30,342
2007	10,000	5,843	27,284	18,656	39,909	0	23,990	29,170
2008	10,000	5,228	28,271	17,667	39,909	0	25,382	27,831
2009	10,000	4,613	29,295	16,643	39,910	0	26,909	26,351
2010 – 2014	55,000	13,838	163,206	66,489	199,547	0	128,167	110,352
2015 – 2019	10,000	615	195,089	34,606	179,763	0	219,784	66,624
2020 – 2024			84,826	4,673	83,443	0	105,709	8,797
Totals	<u>\$120,000</u>	<u>\$ 43,527</u>	<u>\$578,714</u>	<u>\$198,870</u>	<u>\$662,298</u>	<u>\$ 0</u>	<u>\$ 595,185</u>	<u>\$330,966</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2004, were an overall debt margin of \$8,446,532 and an unvoted debt margin of \$4,588,824.

Note 13– Leases

The Village leases postage metering equipment. The Village disbursed \$1,315 to pay lease costs for the year ended December 31, 2004. Future lease payments for 2005 are \$657.

**Village of Silver Lake
Summit County**

Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 14– Interfund Transfers

During 2004 the following transfers were made:

Transfers from the General Fund to:

Major Governmental Funds	\$ 23,484
Other Governmental Funds	11,740
Major Water Capital Fund	4,146
Other Enterprise Funds	7,874
Agency Fund	<u>30</u>
Total	<u>\$47,274</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.

Note 15 - Compensated Absences

The criteria for determining vacation and sick leave components are derived from Village ordinances and State laws. Full-time and regular part-time employees earn and accumulate varying hours of vacation per year, depending upon length of service. Maximum vacation accumulations range from 80 to 200 hours, depending upon length of service. All accumulated unused vacation time is paid out upon termination of employment.

Employees earn sick leave at the rate of 4.6 hours for each regular 80 hours of service. Sick leave may be accumulated indefinitely; however, cash payment for accumulated leave upon death, retirement or resignation from the Village (with ten or more years of service) is limited to one-fourth the value of the earned but unused sick leave credit. Such payment shall be based on the employee's rate of pay at the time of resignation, retirement, or death.

In 2003 Council created an accrued benefits payments fund to fund anticipated retirement payouts. The outstanding liabilities are reviewed around September 1st of each year. Council has determined a 30% funding level of all total accrued liabilities for sick leave, vacations leave and compensatory leave benefits.

Note 16 - Contingent Liabilities

Litigation

The Village is a party 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.

Grants

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.



Mary Taylor, CPA

Auditor of State

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

Village of Silver Lake
Summit County
2961 Kent Road
Silver Lake, Ohio 44224

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Silver Lake, Summit County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the Village's management dated April 30, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

In a separate letter to the Village's management dated April 30, 2007, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 30, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF SILVER LAKE

SUMMIT 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
JUNE 14, 2007**