



Dave Yost • Auditor of State



VILLAGE OF SILVER LAKE  
SUMMIT COUNTY

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# Dave Yost • 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, 2011, 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 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 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, 2011, and the respective changes in cash financial position thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, the Village restated its January 1, 2011 governmental fund balance due to change in fund structure as a result of implementing the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2012, 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

**Dave Yost**  
Auditor of State

August 20, 2012

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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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, 2011, within the limitations of the Village's 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 2011 are as follows:

Net assets of governmental activities increased \$316,475, or approximately 16.2% due to unexpected inheritance tax revenues.

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, 33, and 22 percent of the total cash received for governmental activities during the year. Property taxes decreased \$37,247 or approximately 3.6 percent for 2011 as compared to 2010; and income tax receipts for 2011 increased \$75,040 or 18 percent over 2010 and grants and entitlements increased by \$263,904 or 56 percent over 2010.

The water operation of the Village had an operating income of \$80,374 and the sewer operations had an operating loss of \$3,159.

The Village paid \$204,743 to the City of Cuyahoga Falls 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 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, 2011  
Unaudited

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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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2011, within the limitations of 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 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.

### **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.

**General Fund** – The general fund accounts for the provision of police, fire, street maintenance, parks and recreation, zoning, administrative personnel, and legislative activities for the Village.

**General Capital Projects Fund** – The general capital projects fund for the provision of capital equipment and street lighting, curbing, and sidewalk improvements in the Village as well as maintenance of parks and recreational facilities.

**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.

**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 two fiduciary funds: the Silver Lake School Playground Fund and the Metro SWAT Agency Fund.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2011 as compared to 2010 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Cash and Cash Equivalents	<u>\$2,268,443</u>	<u>\$1,951,968</u>	<u>\$1,131,134</u>	<u>\$860,232</u>	<u>\$3,399,577</u>	<u>\$2,812,200</u>
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$16,532	\$20,416			\$16,532	\$20,416
Capital Projects	179,253	144,570			179,253	144,570
Other Purposes	688,510	23,892			688,510	23,892
Unrestricted	<u>1,384,148</u>	<u>1,763,090</u>	<u>\$1,131,134</u>	<u>\$860,232</u>	<u>2,515,282</u>	<u>2,623,322</u>
Total Net Assets	<u>\$2,268,443</u>	<u>\$1,951,968</u>	<u>\$1,131,134</u>	<u>\$860,232</u>	<u>\$3,399,577</u>	<u>\$2,812,200</u>

As mentioned previously, net assets of governmental activities increased \$316,475 or approximately 16 percent during 2011.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

Table 2 reflects the changes in net assets in 2011 compared to 2010:

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$70,960	\$64,913	\$1,067,437	\$1,033,055	\$1,138,397	\$1,097,968
Operating Grants and Contributions	234,962	132,761			234,962	132,761
Capital Grants and Contributions	9,871	48,194			9,871	48,194
<b>Total Program Receipts</b>	<b>315,793</b>	<b>245,868</b>	<b>1,067,437</b>	<b>1,033,055</b>	<b>1,383,230</b>	<b>\$1,278,923</b>
General Receipts:						
Property and Other Local Taxes	991,766	1,029,013			991,766	\$1,029,013
Income Taxes	485,854	410,814			485,854	410,814
Grants and Entitlements						
Not Restricted to Specific Programs	737,839	473,935			737,839	473,935
Proceeds from Bonds			200,000		200,000	
Premium on Bonds			10,222		10,222	
Interest	2,168	3,489			2,168	3,489
Sale of Equipment	12,598	0			12,598	
Rebates and Reimbursements		1,306			0	1,306
Miscellaneous	14,492	16,602			14,492	16,602
<b>Total General Receipts</b>	<b>2,244,717</b>	<b>1,935,159</b>	<b>210,222</b>	<b>0</b>	<b>2,454,939</b>	<b>1,935,159</b>
<b>Total Receipts</b>	<b>2,560,510</b>	<b>2,181,027</b>	<b>1,277,659</b>	<b>1,033,055</b>	<b>3,838,169</b>	<b>\$3,214,082</b>
Disbursements:						
General Government	450,266	392,788			450,266	392,788
Security of Persons and Property	1,045,125	996,359			1,045,125	996,359
Public Health Services	29,046	29,126			29,046	29,126
Leisure Time Activities	72,339	77,565			72,339	77,565
Community Environment	2,250	2,005			2,250	2,005
Transportation	605,394	550,570			605,394	550,570
Capital Outlay	25,714	57,388			25,714	57,388
Principal Retirement	10,000	10,000	122,020	108,091	132,020	118,091
Interest and Fiscal Charges	3,383	3,998	48,849	52,132	52,232	56,130
Water			398,543	385,643	398,543	385,643
Sewer			352,000	329,993	352,000	329,993
Utilities Deposits			4,200	7,250	4,200	7,250
Water Capital			41,376	9,478	41,376	9,478
Sewer Capital			5,991	14,369	5,991	14,369
Storm Water			34,296	33,276	34,296	33,276
<b>Total Disbursements</b>	<b>2,243,517</b>	<b>2,119,799</b>	<b>1,007,275</b>	<b>940,232</b>	<b>3,250,792</b>	<b>3,060,031</b>
Excess (Deficiency) Before Transfers	316,993	61,228	270,384	92,823	587,377	154,051
Transfers	(518)	(682)	518	682	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>316,475</b>	<b>60,546</b>	<b>270,902</b>	<b>93,505</b>	<b>587,377</b>	<b>154,051</b>
Net Assets, January 1	1,951,968	1,891,422	860,232	766,727	2,812,200	2,658,149
<b>Net Assets, December 31</b>	<b>\$2,268,443</b>	<b>\$1,951,968</b>	<b>\$1,131,134</b>	<b>\$860,232</b>	<b>\$3,399,577</b>	<b>\$2,812,200</b>

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

Program receipts represent 12 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 88 percent of the Village's total receipts, and of this amount, 66 percent are local taxes. Grants and entitlements not restricted to specific purposes make up 29 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 Governmental Activities 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 27 percent and 47 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 20 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.

<b>Governmental Activities</b>				
	Total Cost Of Services 2011	Total Cost Of Services 2010	Net Cost Of Services 2011	Net Cost Of Services 2010
General Government	\$450,266	\$392,788	(\$416,492)	(\$357,897)
Security of Persons and Property	1,045,125	996,359	(1,006,956)	(970,872)
Public Health Services	29,046	29,126	(29,046)	(29,126)
Leisure Time Activities	72,339	77,565	(72,339)	(77,565)
Community Environment	2,250	2,005	(1,295)	646
Transportation	605,394	550,570	(382,376)	(433,342)
Capital Outlay	25,714	57,388	(15,708)	(1,822)
Principal Retirement	10,000	10,000	(129)	45
Interest and Fiscal Charges	3,383	3,998	(3,383)	(3,998)
<b>Total Expenses</b>	<b>\$2,243,517</b>	<b>\$2,119,799</b>	<b>(\$1,927,724)</b>	<b>(\$1,873,931)</b>

The dependence upon property and income tax receipts is apparent as over 86 percent of governmental activities are supported through these general receipts.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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**Business-Type Activities**

The water operation of the Village experienced a net operating income of \$80,374 and ended the year with a \$336,392 net asset balance. A water rate increase went into effect in January, 2011. 10% of all water revenues (up to \$30,000) is receipted into the water capital fund to pay for future capital projects and debt service.

The sewer operation of the Village experienced a net operating loss of \$3,159 and ended the year with a \$699,579 net asset balance. The Village issued bonds in the amount of \$210,222 to pay for an approved sewer project on Orchard Road and Kingston Circle in early 2012. The Village has begun improvements in various areas of Silver Lake to mitigate inflow and infiltration (I&I) problems which cause sewer and storm water backups into residential homes.

**The Village's Funds**

Total governmental funds had receipts and other financing sources of \$2,845,169 and disbursements and other financing uses of \$2,528,694. The greatest changes within governmental funds occurred within the General Capital Fund. The General Capital Fund had the most significant change with an increase in fund balance of \$268,562 due to a transfer of inheritance taxes from the General Fund. The fund balance of the General Fund increased by \$39,482 due to a modest increase in property and income tax receipts.

**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 2011, 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 major difference between final budgeted receipts and actual receipts, or \$288,205, was due to unanticipated collection of inheritance taxes.

Final disbursements and other financing uses were budgeted at \$2,554,490 while actual disbursements and other financing uses were \$2,281,127. 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, 2011, the Village's outstanding debt included \$450,000 in general obligation bonds issued for various improvements to buildings, streets, and curbs, and \$397,175 in Ohio Water Development Authority loans, \$820,322 in Ohio Public Works Commission loans, and \$403,486 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 to the basic financial statements.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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**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. Our newly prepared financial forecast predicts a deficit for 2012; 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. For the most part, all departments have kept spending for operations close to the same level for the past four years.

**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](mailto:clerk-treasurer@villageofsilverlake.com).

**Village of Silver Lake, Ohio**  
*Summit County*  
**Statement of Net Assets - Cash Basis**  
*December 31, 2011*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$2,268,443</u>	<u>\$1,131,134</u>	<u>\$3,399,577</u>
<i>Total Assets</i>	<u><u>\$2,268,443</u></u>	<u><u>\$1,131,134</u></u>	<u><u>\$3,399,577</u></u>
<b>Net Assets</b>			
Restricted for:			
Debt Service	\$16,532		16,532
Road Improvements	155,701		155,701
Police Operations	7,019		7,019
Performance Bonds	16,533		16,533
Other Purposes	688,510		688,510
Unrestricted	<u>1,384,148</u>	<u>\$1,131,134</u>	<u>2,515,282</u>
<i>Total Net Assets</i>	<u><u>\$2,268,443</u></u>	<u><u>\$1,131,134</u></u>	<u><u>\$3,399,577</u></u>

**Village of Silver Lake  
Summit County**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2011*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Capital Outlay	\$25,714	\$10,006			(\$15,708)		(\$15,708)
Community Environment	2,250	955			(1,295)		(1,295)
Debt Service - Interest and Fiscal Charges	3,383				(3,383)		(3,383)
Debt Service - Principal	10,000			\$9,871	(129)		(129)
General Government	450,266	28,629	\$5,145		(416,492)		(416,492)
Leisure Time Activities	72,339				(72,339)		(72,339)
Public Health Services	29,046				(29,046)		(29,046)
Security of Persons and Property	1,045,125	31,370	6,799		(1,006,956)		(1,006,956)
Transportation	605,394		223,018		(382,376)		(382,376)
<b>Total Governmental Activities</b>	<b>2,243,517</b>	<b>70,960</b>	<b>234,962</b>	<b>9,871</b>	<b>(1,927,724)</b>		<b>(1,927,724)</b>
<b>Business Type Activities</b>							
Sewer Capital Fund	5,992					(\$5,992)	(5,992)
Sewer Fund	522,867	512,606		210,222		199,961	199,961
Storm Water Utility	34,297	39,194				4,897	4,897
Utility Trust Deposits	4,200	7,350				3,150	3,150
Water Capital Fund	41,376	30,000				(11,376)	(11,376)
Water Fund	398,543	478,287				79,744	79,744
<b>Total Business Type Activities</b>	<b>1,007,275</b>	<b>1,067,437</b>		<b>210,222</b>		<b>270,384</b>	<b>270,384</b>
<b>Total</b>	<b>\$3,250,792</b>	<b>\$1,138,397</b>	<b>\$234,962</b>	<b>\$220,093</b>	<b>(\$1,927,724)</b>	<b>\$270,384</b>	<b>(\$1,657,340)</b>
<b>General Receipts and Transfers</b>							
Property and Other Local Taxes					\$991,766		\$991,766
Grants & Entitlements Not Restricted to Specific Programs					737,839		737,839
Sale of Bonds							0
Income Taxes					485,854		485,854
Sale of Capital Assets					12,598		12,598
Earnings on Investments					2,168		2,168
Miscellaneous					14,492		14,492
<b>Total General Receipts</b>					<b>2,244,717</b>	<b>0</b>	<b>2,244,717</b>
Transfers					(518)	518	0
<b>Total General Receipts and Transfers</b>					<b>2,244,199</b>	<b>518</b>	<b>2,244,717</b>
Change in Net Assets					316,475	270,902	587,377
<i>Net Assets Beginning of Year</i>					<u>1,951,968</u>	<u>860,232</u>	<u>2,812,200</u>
<i>Net Assets End of Year</i>					<u>\$2,268,443</u>	<u>\$1,131,134</u>	<u>\$3,399,577</u>

See accompanying notes to the basic financial statements

**Village of Silver Lake**  
**Summit County**  
*Statement of Net Assets and Fund Balances-Cash Basis*  
*Governmental Funds*  
*December 31, 2011*

	<u>General</u>	<u>General Capital Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	<u>\$1,573,332</u>	<u>\$497,803</u>	<u>\$197,308</u>	<u>\$2,268,443</u>
<b>Fund Balances</b>				
Restricted			\$195,781	\$195,781
Committed	\$170,017	\$497,803	1,527	669,347
Assigned	19,164			19,164
Unassigned (Deficit)	<u>1,384,151</u>			<u>1,384,151</u>
<i>Total Fund Balances</i>	<u>\$1,573,332</u>	<u>\$497,803</u>	<u>\$197,308</u>	<u>\$2,268,443</u>

See accompanying notes to the basic financial statements

**Village of Silver Lake  
Summit County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds*

For the Year Ended December 31, 2011

	General	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$970,022		\$21,744	\$991,766
Income Taxes	485,854			485,854
Intergovernmental	745,925		226,875	972,800
Special Assessments		\$10,006	9,871	19,877
Charges for Services	3,302			3,302
Fines, Licenses, and Permits	56,678		975	57,653
Earnings on Investments	2,065		103	2,168
Miscellaneous	13,042		1,450	14,492
<i>Total Receipts</i>	<u>2,276,888</u>	<u>10,006</u>	<u>261,018</u>	<u>2,547,912</u>
<b>Disbursements</b>				
Security of Persons and Property	1,019,350		25,775	1,045,125
Public Health Services	29,046			29,046
Leisure Time Activities	71,658		681	72,339
Community Environment	2,250			2,250
Transportation	393,416		211,978	605,394
General Government	449,107	389	770	450,266
Capital Outlay		25,714		25,714
Debt Service - Principal			10,000	10,000
Debt Service - Interest			3,383	3,383
<i>Total Disbursements</i>	<u>1,964,827</u>	<u>26,103</u>	<u>252,587</u>	<u>2,243,517</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>312,061</u>	<u>(16,097)</u>	<u>8,431</u>	<u>304,395</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	12,598			12,598
Transfers In		284,659		284,659
Transfers Out	(285,177)			(285,177)
<i>Total Other Financing Sources (Uses)</i>	<u>(272,579)</u>	<u>284,659</u>	<u>0</u>	<u>12,080</u>
<i>Net Change in Fund Balances</i>	39,482	268,562	8,431	316,475
<i>Fund Balances Beginning of Year (Restated)</i>	<u>1,533,850</u>	<u>229,241</u>	<u>188,877</u>	<u>1,951,968</u>
<i>Fund Balances End of Year</i>	<u>\$1,573,332</u>	<u>\$497,803</u>	<u>\$197,308</u>	<u>\$2,268,443</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 - Budgetary Basis*  
*General Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,438,046	\$1,438,046	\$1,455,876	\$17,830
Intergovernmental	479,387	479,387	745,925	266,538
Special Assessments	300	300	0	(300)
Charges for Services	2,400	2,400	3,302	902
Fines, Licenses and Permits	56,650	46,650	56,678	10,028
Earnings on Investments	5,000	5,000	2,065	(2,935)
Miscellaneous	16,500	16,500	13,042	(3,458)
<i>Total Receipts</i>	<u>1,998,283</u>	<u>1,988,283</u>	<u>2,276,888</u>	<u>288,605</u>
<b>Disbursements</b>				
Security of Persons and Property	1,116,305	1,122,052	1,019,350	102,702
Public Health Services	29,126	29,126	29,046	80
Leisure Time Activities	82,703	82,965	71,658	11,307
Community Environment	5,324	6,038	2,250	3,788
Transportation	482,768	494,223	393,416	100,807
General Government	445,654	476,982	449,107	27,875
<i>Total Disbursements</i>	<u>2,161,880</u>	<u>2,211,386</u>	<u>1,964,827</u>	<u>246,559</u>
<b>Other Financing Sources (Uses)</b>				
Miscellaneous Rebates and Reimbursements	3,000	3,000	12,598	9,598
Transfers In	45,000	45,000	31,123	(13,877)
Transfers Out	(40,000)	(323,104)	(314,227)	8,877
Transfers Out - Interest	(20,000)	(20,000)	(2,073)	17,927
<i>Total Other Financing Sources (Uses)</i>	<u>(12,000)</u>	<u>(295,104)</u>	<u>(272,579)</u>	<u>22,525</u>
<i>Net Change in Fund Balance</i>	<u>(175,597)</u>	<u>(518,207)</u>	<u>39,482</u>	<u>557,689</u>
<i>Fund Balance Beginning of Year</i>	1,502,908	1,502,908	1,502,908	
Prior Year Encumbrances Appropriated	92,975	92,975	92,975	
<i>Fund Balance End of Year</i>	<u>\$1,420,286</u>	<u>\$1,077,676</u>	<u>\$1,635,365</u>	<u>\$557,689</u>

See accompanying notes to the basic financial statements

**Village of Silver Lake  
Summit County**

*Statement of Net Assets  
Proprietary Funds  
December 31, 2011*

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	Business Type Activities			Total
	Water Fund	Sewer Fund	Other Enterprise Funds	
<b>Assets</b>				
Cash and Cash Equivalents	<u>\$336,392</u>	<u>\$699,579</u>	<u>\$95,163</u>	<u>\$1,131,134</u>
<b>Net Assets</b>				
Fund Balance - Unrestricted	<u>336,392</u>	<u>699,579</u>	<u>95,163</u>	<u>1,131,134</u>
<i>Total Net Assets</i>	<u>\$336,392</u>	<u>\$699,579</u>	<u>\$95,163</u>	<u>\$1,131,134</u>

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 - Cash Basis*  
*Proprietary Fund*  
*For the Year Ended December 31, 2011*

	Business-Type Activities			Total
	Water Fund	Sewer Fund	Other Funds	
<b>Operating Receipts</b>				
Charges for Services	\$478,287	\$512,606	\$69,194	\$1,060,087
Deposits			7,350	7,350
<i>Total Operating Receipts</i>	<u>478,287</u>	<u>512,606</u>	<u>76,544</u>	<u>1,067,437</u>
<b>Operating Disbursements</b>				
Billing - Water	77,697			77,697
Supply/Purchase Water	320,216			320,216
Billing-Sanitary and Sewage		274,506		274,506
Other - Sanitary & Sewage		111,766		111,766
Other - Storm Water & Drains			34,296	34,296
Capital Outlay			5,991	5,991
Debt Service - Principa		97,020	25,000	122,020
Debt Service - Interes		32,473	16,376	48,849
<i>Total Operating Disbursements</i>	<u>397,913</u>	<u>515,765</u>	<u>81,663</u>	<u>995,341</u>
<i>Operating Income (Loss)</i>	80,374	(3,159)	(5,119)	72,096
<b>Non-Operating Receipts and Disbursements</b>				
Proceeds of Bonds		200,000		200,000
Premiums on Bonds		10,222		10,222
Other Financing Uses	(630)	(7,104)	(4,200)	(11,934)
<i>Income (Loss) Before Transfers</i>	<u>79,744</u>	<u>199,959</u>	<u>(9,319)</u>	<u>270,384</u>
Transfers- In			518	518
<i>Change in Net Assets</i>	79,744	199,959	(8,801)	270,902
<i>Net Assets Beginning of Year</i>	<u>256,648</u>	<u>499,620</u>	<u>103,964</u>	<u>860,232</u>
<i>Net Assets End of Year</i>	<u>\$336,392</u>	<u>\$699,579</u>	<u>\$95,163</u>	<u>\$1,131,134</u>

See accompanying notes to the basic financial statements

**Village of Silver Lake**  
**Summit County**

*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2011*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$89,422</u>
<b>Net Assets</b>	
Held In Trust: Expendable	<u>\$89,422</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, 2011**

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**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 Cuyahoga Falls 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.

The Village participates in one jointly governed organization, which is a Regional Council of Governments and is presented in Note 18.

**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. 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 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, 2011  
(CONTINUED)

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**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 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 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 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 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.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**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.

**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.

***General 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.

***General Capital Projects Fund*** The General Capital Projects Fund is used to account for capital equipment purchased and capital projects completed by the Village.

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

**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 and Sewer 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.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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 trust funds 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 two agency funds:

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. The fund was closed during 2011.

The Metro SWAT Agency Fund which was established in 2004 to account for the activities related to the Metro SWAT Team. Metro SWAT provides mutual aid to member political subdivision for response to any incident where special weapons and tactics are needed to contain an incident or rescue people that have been taken hostage.

C. Basis of Accounting

The Village's financial statements are prepared using the 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 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 alternative tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The alternative 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.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

D. Budgetary Process (continued)

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.

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 2011, the Village invested in two money market accounts and STAR Ohio. The Village’s money market account is recorded at the amount reported by JP Morgan Chase bank at December 31, 2011.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

E. Cash and Investments (continued)

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, 2011.

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 2011 was \$2,065 part of which was transferred, by resolution, to the general capital fund (\$1,555), water capital fund (\$200), and sewer capital fund (\$318).

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 assets restricted in this manner.

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.

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 2011, 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 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.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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 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

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 include a legally enforceable requirement that those resources be used for only 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 purpose specified by the legislation.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, apart 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.

**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 the 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 on 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 classification could be used.

**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.

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 2011.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB State No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as previously reported:

	General	General Capital	Accrued Liabilities Fund	Other Governmental Funds	Total
Fund Balance at December 31, 2010	\$1,316,656	\$229,241	\$217,194	\$188,877	\$1,951,968
GASB 54 Change in in Fund Structure	217,194		(217,194)		0
Adjusted Fund Balance at December 31, 2010	<u>\$1,533,850</u>	<u>\$229,241</u>	<u>\$0</u>	<u>\$188,877</u>	<u>\$1,951,968</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 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 cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as an assigned, committed, or restricted fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$19,164 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.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 5 - Deposits and Investments (continued)**

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;
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, \$1,230,216 of the Village's bank balance of \$2,282,354 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 (105%) of the deposits being secured.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

**Note 5 - Deposits and Investments (continued)**

Investments

As of December 31, 2011, the Village had the following investments

	Investment Maturities	
	Fair Value	Less than 1 year
STAR Ohio	<u>\$1,224,367</u>	<u>\$1,224,367</u>

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.

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 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 and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes. 2011 real property taxes received are levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 7– Property Taxes (continued)**

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. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$13.75 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2011 property tax receipts were based are as follows:

Residential/Agriculture Real Value	\$82,734,780
Other Real Property	2,073,100
Public Utility Personal Value	<u>647,990</u>
Total-Real Value	85,455,870
Personal Tangible Value	<u>0</u>
Total Value-Real and Tangible	<u>\$85,455,870</u>

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

**Note 8 - Capital Assets**

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

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**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 2011 totaled \$19,126.

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 2011 totaled \$127,975.

**Note 10 - Defined Benefit Pension Plans**

**A. 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 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional 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) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. The Village has no police or firefighters under the plan.

The Village's contribution rate for 2011 was 14 percent of covered payroll. For 2011, a portion of the Village's contribution equal to 5.5 percent of covered payroll from January 1 through February 28, 2011 and 5.0% from March 1 through December 31, 2011, was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$69,451, \$69,694, and \$56,166, and, respectively. The full amount has been contributed for 2010 and 2009 while 92 percent was contributed for 2011.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 10 - Defined Benefit Pension Plans (continued)**

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

Plan funding - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions rates are established by State statute. For year 2011, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to the Fund for the years ended December 31, 2011, 2010, and 2009 were \$60,329, \$57,813, and \$58,311, respectively. The full amount has been contributed for 2010 and 2009 while 75 percent has been contributed for 2011.

**Note 11- Post Employment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare.

The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement which 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

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 11 - Post Employment Benefits (continued)**

**A. Ohio Public Employees Retirement System (continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5.5 percent of covered payroll from January 1 through February 28 2011, and 5.0 percent from March through December 31, 2011.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$35,873, \$39,886, and \$56,166, respectively. The full amount has been contributed for 2010 and 2009 while percent has been contributed for 2011.

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

**B. 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 postemployment healthcare plan administered by OF&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, and vision. Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

Funding Policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of action pension plan members, currently 19.5 percent.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

**Note 11- Post Employment Benefits (continued)**

B. Ohio Police and Fire Pension Fund (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the healthcare plan was 6.76 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401 (h).

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$32,012 for the year ended December 31, 2011, \$30,556 for the year ended December 31, 2010, and \$30,870 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009 while 75 percent has been contributed for 2011.

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.

**Note 12- Debt**

The Village's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
<u>Governmental Activities</u>						
<u>General Obligation Bonds</u>						
1996 Issue	6.1%	<u>\$ 55,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 45,000</u>	<u>\$ 10,000</u>
<u>Business-Type Activities</u>						
2000 OWDA Loan (Original Amount \$135,840)	3.5%	76,229	0	6,893	69,336	7,261
2002 OWDA Loan (Original Amount \$188,682)	4.16%	119,485	0	8,767	110,718	9,135
2002 OWDA Loan (Original Amount \$158,574)	3.64%	103,658	0	7,029	96,629	7,287
2003 OWDA Loan (Original Amount \$179,779)	3.03%	<u>128,706</u>	<u>0</u>	<u>8,214</u>	<u>120,492</u>	<u>8,469</u>
Total for OWDA Loans		<u>428,078</u>	<u>0</u>	<u>30,903</u>	<u>397,175</u>	<u>32,152</u>

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

**Note 12– Debt (continued)**

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
1996 Issue 2 Loan (Original Amount \$73,842)	0%	20,307	0	3,692	16,615	3,692
1999 Issue 2 Loan (Original Amount \$200,624)	0%	90,281	0	10,031	80,250	10,031
2002 Issue 2 Loan (Original Amount \$184,061)	0%	110,808	0	9,234	101,574	9,234
2002 Issue 2 Loan (Original Amount \$159,263)	0%	95,557	0	7,963	87,594	7,963
2004 Issue 2 Loan (Original Amount \$179,779)	0%	125,846	0	8,989	116,857	8,989
2007 Issue 2 Loan (Original Amount \$393,677)	0%	<u>431,826</u>	0	<u>14,394</u>	<u>417,432</u>	<u>14,394</u>
<b>Total Issue 2 Loans</b>		<u>874,625</u>	<u>0</u>	<u>54,303</u>	<u>820,322</u>	<u>54,303</u>
2008 General Obligation Bonds (Original Amount \$240,000)	5.21%	220,000	0	15,000	205,000	15,000
2011 General Obligation Bonds (Original Amount \$200,000)	4.215%	<u>0</u>	<u>200,000</u>	<u>0</u>	<u>200,000</u>	<u>10,000</u>
<b>Total General Obligation Bonds</b>		<u>220,000</u>	<u>200,000</u>	<u>15,000</u>	<u>405,000</u>	<u>25,000</u>
2000 Summit County Dept. of Environmental Services Mudbrook Improvements (Original Amount \$660,235)	6.1%	<u>425,300</u>	<u>0</u>	<u>21,814</u>	<u>403,486</u>	<u>22,860</u>

The Ohio Water Development Authority (OWDA) loans relate to sanitary sewer system improvements projects. The loans will be repaid in semiannual installments totaling approximately \$22,900, including interest, over the next 10 to 12 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 Village has pledged future revenues to repay the OWDA Loans. The loans are payable solely from the City's sewer receipts. Annual principal and interest payments on the loans are expected to require 10 percent of revenues. The total principal and interest remaining to be paid on the loans is \$ 479,440. Principal and interest paid for the current year were \$45,811, and sewer receipts were \$512,606.

**VILLAGE OF SILVER LAKE  
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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

**Note 12– Debt (continued)**

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

The bonds issued in 2008 were issued under the Ohio Capital Asset Financing Program as Fractionalized Interests which equals the aggregate of principal amounts of the separate series of Bonds issued by participating Political Subdivisions. This issue consists of five participants other than the Village of Silver Lake: City of Munroe Falls, Mifflin Township, City of Shelby, Village of Germantown and the City of Richmond Heights. The bonds issued on behalf of the Village of Silver Lake financed a water line replacement project on Graham Road. Although the debt service will be paid out of the water capital fund, the issue is considered a general obligation of the Village.

The bonds issued in 2011 were also issued under the Ohio Capital Asset Financing Program as Fractionalized Interests. The participants in this issue, besides the Village of Silver Lake were: Village of Galena, City of Reading, Little Miami Joint Fire & Rescue District, City of Munroe Falls, City of Forest Park, and the Village of Ottawa. The bonds issued on behalf of the Village of Silver Lake will finance a sewer relining and replacement project on Orchard Road and Kingston Circle. Although the debt service will be paid out of the sewer fund, the issue is considered a general obligation of the Village.

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 \$27,000 over the next 10 to 28 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 \$26,900 over the next 9 years. The loans are payable from the Village sewer receipts.

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
2012	35,000	22,287	32,024	13,783	54,303		22,860	21,963
2013	35,000	19,262	33,185	12,616	54,304		23,906	20,934
2014	40,000	17,213	34,390	11,425	54,303		31,227	19,620
2015	35,000	16,399	35,639	10,152	54,304		39,370	17,902
2016	25,000	14,015	36,934	9,005	52,458		41,611	15,737
2017 – 2021	160,000	51,025	191,332	24,112	232,995		244,512	39,783
2022 – 2026	120,000	14,105	33,671	1,172	116,136			
2027 – 2031					71,971			
2032 – 2036					71,971			
2037 – 2041					57,577			
Totals	<u>\$450,000</u>	<u>\$154,306</u>	<u>\$397,175</u>	<u>\$ 82,265</u>	<u>\$820,322</u>	<u>\$0</u>	<u>\$403,486</u>	<u>\$135,939</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, 2011, were an overall debt margin of \$8,972,866 and an unvoted debt margin of \$4,700,073.

**VILLAGE OF SILVER LAKE  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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**Note 13– Leases**

The Village leases postage metering equipment. The Village disbursed \$828 to pay lease costs for the year ended December 31, 2011. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	719
2013	360

**Note 14 – 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:

<u>Fund Balances</u>	<u>General Fund</u>	<u>General Capital Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for</b>				
Road Improvements			\$155,700	\$155,700
Police Operations			7,016	7,016
Debt Service			16,532	16,532
Performance Bonds			16,533	16,533
<i>Total Restricted</i>	\$0	\$0	195,781	195,781
<b>Committed to</b>				
Construction Improvements		497,803		497,803
Recreation			1,527	1,527
Accrued Liabilities	170,017			170,017
<i>Total Committed</i>	170,017	497,803	1,527	669,347
<b>Assigned to</b>				
Other Purposes	19,164			19,164
<i>Total Assigned</i>	19,164	0	0	19,164
Unassigned (deficits):	1,384,151			1,384,151
<i>Total Fund Balances</i>	<u>\$1,573,332</u>	<u>\$497,803</u>	<u>\$197,308</u>	<u>\$2,268,443</u>

**VILLAGE OF SILVER LAKE  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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**Note 15– Interfund Transfers**

During 2011 the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Funds	\$284,659
Other Enterprise Funds	<u>519</u>
Total	<u>\$285,178</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 16 - 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 as of January 1, 2010. Employees hired after 1-1-2010, with ten or more years of service will receive one-fourth of up to 960 hours for a maximum of 240 hours. 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 1<sup>st</sup> of each year. Council has determined a thirty percent funding level of all total accrued liabilities for sick leave, vacations leave and compensatory leave benefits.

**Note 17 - Contingent Liabilities**

A. 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.

B. 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.

**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

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**Note 18 - Jointly Governed Organization**

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) under the authority of Chapter 167 of the Ohio Revised Code to administer tax collection and enforcement concerns facing the cities and villages. The purpose of the RCOG is to foster cooperation between the municipalities through sharing of facilities for their common benefit. This includes the establishment of a central collection facility for the purpose of administering the income tax laws of the various municipal corporations who are members of the RCOG and for the purpose of collecting income taxes on behalf of each member municipality, doing all things allowed by law to accomplish such purpose.

The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for over 160 municipalities throughout the State of Ohio. Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA. The Council did not receive any funding from the Village during the current year.

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# Dave Yost • 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, (the Village) as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 20, 2012, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles, and wherein we noted the Village restated governmental fund balance due to implementing GASB Statement No. 54. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

### **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*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 20, 2012.

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

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

**Dave Yost**  
Auditor of State

August 20, 2012



# Dave Yost • 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  
SEPTEMBER 6, 2012