

# VILLAGE OF SILVERTON



## Basic Financial Statements

December 31, 2016





# Dave Yost • Auditor of State

Village Council  
Village of Silverton  
6860 Plainfield Road  
Silverton, Ohio 45236

We have reviewed the *Independent Auditor's Report* of the Village of Silverton, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

June 2, 2017

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## INDEPENDENT AUDITOR'S REPORT

Village Manager and  
Members of Village Council  
Village of Silverton  
Hamilton County, Ohio

### Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton, Ohio, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2016, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

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### **Accounting Basis**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

May 8, 2017

Village of Silverton, Hamilton County  
Statement of Net Position - Modified Cash Basis  
December 31, 2016

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	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$970,882</u>
Total Assets	<u>970,882</u>
Net Position:	
Restricted for:	
Capital Projects	257,430
Other Purposes	64,991
Unrestricted	<u>648,461</u>
Total Net Position	<u>\$970,882</u>

See accompanying notes to the basic financial statements.



Village of Silverton, Hamilton County  
Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended December 31, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities:				
Security of Persons and Property	\$856,884	\$0	\$0	(\$856,884)
Leisure Time Activities	413,589	0	0	(413,589)
Community Environment	50,112	0	0	(50,112)
Transportation	1,022,726	39,733	481,515	(501,478)
General Government	1,465,597	332,206	0	(1,133,391)
Capital Outlay	1,026,223	0	0	(1,026,223)
Debt Service:				
Principal Retirement	3,498,969	0	0	(3,498,969)
Interest and Fiscal Charges	49,841	0	0	(49,841)
<b>Total Governmental Activities</b>	<b>\$8,383,941</b>	<b>\$371,939</b>	<b>\$481,515</b>	<b>(7,530,487)</b>

General Receipts:

Property Taxes Levied for:

General Purposes	546,864
Income Taxes	1,840,702
Other Local Taxes	148,215
Grants and Entitlements not Restricted	401,171
Sale of Bonds	500,000
Loan Proceeds	377,703
Sale of Capital Assets	2,303,816
Earnings on Investments	13,903
Miscellaneous	195,969

Total General Receipts 6,328,343

Change in Net Position (1,202,144)

Net Position Beginning of Year 2,173,026

Net Position End of Year \$970,882

See accompanying notes to the basic financial statements.

Village of Silverton, Hamilton County  
Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
December 31, 2016

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$620,261	\$0	\$140,554	\$210,067	\$970,882
Total Assets	<u>\$620,261</u>	<u>\$0</u>	<u>\$140,554</u>	<u>\$210,067</u>	<u>\$970,882</u>
Fund Cash Balances:					
Restricted	0	0	140,554	181,866	322,420
Committed	0	0	0	28,201	28,201
Unassigned (Deficit)	<u>620,261</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>620,261</u>
Total Fund Balances	<u>\$620,261</u>	<u>\$0</u>	<u>\$140,554</u>	<u>\$210,067</u>	<u>\$970,882</u>

See accompanying notes to the basic financial statements.

Village of Silverton, Hamilton County  
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended December 31, 2016

	General	Debt Service	Capital Improvements	Other Governmental Funds	Totals
Receipts:					
Municipal Income Tax	\$1,840,702	\$0	\$0	\$0	\$1,840,702
Property Tax	546,864	0	0	0	546,864
Other Local Tax	61,627	0	0	86,588	148,215
Intergovernmental	131,310	0	52,478	698,898	882,686
Special Assessments	16,615	0	0	0	16,615
Charges for Services	262,485	0	0	35,401	297,886
Fines, Licenses and Permits	53,106	0	0	4,332	57,438
Earnings on Investments	13,084	0	0	819	13,903
Miscellaneous	34,618	7,678	0	153,673	195,969
<b>Total Receipts</b>	<b>2,960,411</b>	<b>7,678</b>	<b>52,478</b>	<b>979,711</b>	<b>4,000,278</b>
Disbursements:					
Security of Persons and Property	856,884	0	0	0	856,884
Leisure Time Activities	11,396	0	0	402,193	413,589
Community Environment	50,112	0	0	0	50,112
Transportation	81,470	0	4,000	937,256	1,022,726
General Government	1,056,113	0	0	409,484	1,465,597
Capital Outlay	0	0	197,270	828,953	1,026,223
Debt Service:					
Principal Retirement	0	3,323,969	150,000	25,000	3,498,969
Interest and Fiscal Charges	0	49,841	0	0	49,841
<b>Total Disbursements</b>	<b>2,055,975</b>	<b>3,373,810</b>	<b>351,270</b>	<b>2,602,886</b>	<b>8,383,941</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>904,436</b>	<b>(3,366,132)</b>	<b>(298,792)</b>	<b>(1,623,175)</b>	<b>(4,383,663)</b>
Other Financing Receipts (Disbursements):					
Sale of Bonds	0	0	0	500,000	500,000
Loan Proceeds	0	0	0	377,703	377,703
Sale of Capital Assets	0	0	150,000	2,153,816	2,303,816
Transfers In	0	3,366,132	0	267,318	3,633,450
Transfers (Out)	(378,608)	0	0	(3,254,842)	(3,633,450)
Advances In	256,252	0	34,426	1,656,168	1,946,846
Advances (Out)	(1,656,287)	0	(34,426)	(256,133)	(1,946,846)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,778,643)</b>	<b>3,366,132</b>	<b>150,000</b>	<b>1,444,030</b>	<b>3,181,519</b>
<b>Net Change in Fund Cash Balance</b>	<b>(874,207)</b>	<b>0</b>	<b>(148,792)</b>	<b>(179,145)</b>	<b>(1,202,144)</b>
<b>Fund Cash Balance Beginning of Year</b>	<b>1,494,468</b>	<b>0</b>	<b>289,346</b>	<b>389,212</b>	<b>2,173,026</b>
<b>Fund Cash Balance End of Year</b>	<b>\$620,261</b>	<b>\$0</b>	<b>\$140,554</b>	<b>\$210,067</b>	<b>\$970,882</b>

See accompanying notes to the basic financial statements.

Village of Silverton, Hamilton County  
Statement of Fiduciary Net Position - Modified Cash Basis  
Fiduciary Funds  
December 31, 2016

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$36,455</u>
Total Assets	<u>36,455</u>
Net Position:	
Held on Behalf of Mayor's Court	8,555
Held on Behalf of Block Watch	5,065
Held on Behalf of Small Business Association	2,835
Held on Behalf of the Community Improvement Corporation	<u>20,000</u>
Total Net Position	<u>\$36,455</u>

See accompanying notes to the basic financial statements.

**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

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

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

***Primary Government***

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

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

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

The Village participates in a joint venture. This organization is presented in Note 14 to the financial statements.

The Village participates in a public entity risk pool. This organization is presented in Note 15 to the financial statements.

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

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

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

**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

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

**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Debt Service** The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

***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. There were no differences between the budgetary basis and the modified cash basis for the Village.

***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 Investments." The Village's Mayor's Court has its own checking accounts for collection and distribution of court fines and forfeitures.

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 2016, the Village invested in a money market fund and a negotiable certificate of deposit. Investments are reported at cost.

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 2016 was \$13,084.

***Inventory and Prepaid Items***

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

***Capital Assets***

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



**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Accumulated Leave***

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

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

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-Term Obligations***

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

***Net Position***

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

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

***Fund Balance***

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

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

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

**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

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

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

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

***Internal Activity***

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.

**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 3 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Village of Silverton**  
*Hamilton County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio).

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

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

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

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2016, \$689,867 of the City’s bank balance of \$939,867 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments***

As of December 31, 2016, the Village had the following investments:

	<u>Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CD	\$80,000	Level 2	3.45
Money Market	<u>8,694</u>	N/A	0.00
Total Investments	<u>\$88,694</u>		
Portfolio Weighted Average Maturity			3.11

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The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Village's recurring fair value measurements as of year end.

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

**Credit Risk** The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes, except corporate entities must have a debt rating of Aa or better by Standard & Poors' or Moody's rating service. The Village's investments in Negotiable Certificate of Deposit and Money Market Funds were not rated.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Negotiable Certificate of Deposit and the Money Market Fund are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name.

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

**Concentration of Credit Risk** The Village places no limit on the amount it may invest in any one issuer. The Village has invested 90.2% in Negotiable Certificate of Deposit and 9.8% in a Money Market Fund.

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**Note 4 – Income Taxes**

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

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**Note 5 - Property Taxes**

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Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	78,106,660
Public Utility Personal Property	<u>4,586,680</u>
Total	<u><u>\$82,693,340</u></u>

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

**Note 6 - Risk Management**

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The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"). See Note 15 for further information regarding the Plan.

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

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then either receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangements insures that each participant shares equally in the overall performance of the GRP.

The Village manages employee health benefits on a self-funded insurance basis. The employee health benefit plan provides basic health coverage through United Health Care (UHC), the third party administrator (TPA) of the program, which reviews and processes or disallows the claims. Jefferson Health Plan (JHP) releases the claims payments to the providers as a consortium outside UHC. JHP is a jointly governed organization established as a joint insurance pool. The Village is a member of the Center for Local Government Benefits Pool (CLGBP) which is a member of JHP. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$150,000 per employee per year. The 2016 monthly family, employee plus one, and single premiums were \$1,580.28, \$970.06, and \$520.48. The TPA charges the Village an administration fee of \$57.15 per employee per month.

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**Note 7 - Defined Benefit Pension Plans**

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***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:



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	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2016 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2016 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$65,729 for year 2016.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description – Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$0 for 2016.

**Note 8 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension

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plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage

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selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 \$10,953, \$10,448, and \$10,841, respectively; 92 percent has been contributed for 2016 and 100 percent for 2015 and 2014.

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

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police for the years ended December 31, 2016, 2015, and 2014 were \$0, \$177, and \$966, respectively. The full amount has been contributed for 2016, 2015 and 2014.

**Note 9 – Notes Payable**

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The changes in the Village's notes payable during 2016 were as follows:

	Outstanding 12/31/15	Issued	Retired	Outstanding 12/31/16
1.80% Bond Anticipation Notes, Series 2015	\$390,000	\$0	\$390,000	\$0
0.85% Bond Anticipation Notes, Series 2015	1,100,000	0	1,100,000	0
1.25% Bond Anticipation Notes, Series 2015	1,900,000	0	1,900,000	0
Total	<u>\$3,390,000</u>	<u>\$0</u>	<u>\$3,390,000</u>	<u>\$0</u>

The \$390,000 note is a non-taxable road improvement note in relation to tax increment financing projects. All other notes were issued for the purpose of acquiring real property within the Village. The note proceeds had been spent at December 31, 2016. The notes are bond anticipation notes, are backed by the full faith and credit of the Village, and mature within one year.

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**Note 10 – Long Term Obligations**

The changes in the Village’s long-term debt during 2016 were as follows:

	Beginning of Year	Additions	Deletions	End of Year
<b>General Obligation Bonds</b>				
2010 Building Acquisition Bonds	\$220,000	\$0	(\$15,000)	\$205,000
2016 Road Improvement Bond	0	500,000	0	500,000
<b>Total General Obligation Bonds</b>	<b>220,000</b>	<b>500,000</b>	<b>(15,000)</b>	<b>705,000</b>
<b>OPWC Loans</b>				
Fire Hydrants	92,444	0	(10,876)	81,568
Stoll Lane	216,344	0	(22,773)	193,571
East Gatewood Lane	77,855	0	(8,195)	69,660
Sampson Lane	147,757	0	(12,848)	134,909
Plainfield Road South	304,542	0	(25,379)	279,163
Belkenton and Grace Avenue	119,986	0	(8,571)	111,415
East Avenue	106,547	0	(5,327)	101,220
Sibley Avenue	10,207	214,828	0	225,035
South Broadlawn Avenue	0	162,875	0	162,875
<b>Total OPWC Loans</b>	<b>1,075,682</b>	<b>377,703</b>	<b>(93,969)</b>	<b>1,359,416</b>
<b>Total Governmental Activities</b>	<b>\$1,295,682</b>	<b>\$877,703</b>	<b>(\$108,969)</b>	<b>\$2,064,416</b>

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

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

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

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

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

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

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

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

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

During 2015 and 2016, improvements to Sibley Avenue began. The Village had received \$10,207 from the Ohio Public Works Commission in 2015, with the balance of \$214,828 received in 2016, for a total of \$225,035. Repayment of the loan will begin in 2017.

During 2016, improvements to South Broadlawn Avenue began. As of December 31, 2016, the village received \$162,875 from Ohio Public Works Commission. Repayment of the loan will begin in 2017 without interest.

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 2016, were as follows:

Year	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2017	\$60,000	\$22,285	\$113,365
2018	60,000	20,509	113,365
2019	60,000	18,733	113,365
2020	65,000	16,957	113,365
2021-2025	345,000	55,256	535,027
2026-2030	115,000	8,919	227,917
2031-2035	0	0	123,616
2036	0	0	19,396
Total	<u>\$705,000</u>	<u>\$142,659</u>	<u>\$1,359,416</u>

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**Note 11 – Fund Balances**

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

Fund Balances	General Fund	Debt Service	Capital Improvement	Other Governmental Funds	Total
<b>Restricted for</b>					
Street Maintenance	\$0	\$0	\$0	\$5,091	\$5,091
State Highway	0	0	0	35,689	35,689
Mayor's Court Computer	0	0	0	153	153
Recycling	0	0	0	2,727	2,727
Mayor's Court Special Project	0	0	0	3,449	3,449
Entry of Forfeiture	0	0	0	5,215	5,215
Drug Offender	0	0	0	1,123	1,123
Capital Improvement	0	0	140,554	0	140,554
Park Improvement	0	0	0	2,801	2,801
Tax Increment Financing	0	0	0	63,817	63,817
GCCU Common Area	0	0	0	11,543	11,543
OPWC Improvement	0	0	0	44	44
Job Creation	0	0	0	50,214	50,214
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>140,554</u>	<u>181,866</u>	<u>322,420</u>
<b>Committed to</b>					
Capital Equipment	0	0	0	28,201	28,201
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,201</u>	<u>28,201</u>
Unassigned (deficits):	620,261	0	0	0	620,261
<i>Total Fund Balances</i>	<u>\$620,261</u>	<u>\$0</u>	<u>\$140,554</u>	<u>\$210,067</u>	<u>\$970,882</u>

**Note 12 - Interfund Transfers**

During 2016 the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	(\$378,608)
Debt Service	3,366,132	0
Other Governmental Funds	267,318	(3,254,842)
<b>Total</b>	<u>\$3,633,450</u>	<u>(\$3,633,450)</u>



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

The General Fund and Other Governmental Funds made transfers to the Debt Service Fund to be used to make debt service payments for the year. The General Fund also made transfers out to Other Governmental Funds to provide additional resources for current operations, capital improvements, and other Village operations.

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**Note 13 – Contingent Liabilities**

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

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

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**Note 14 – Joint Venture**

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

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

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**Note 15 – Public Entity Risk Pool**

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

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

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

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015.

Assets	\$14,643,667
Liabilities	<u>(9,112,030)</u>
Members’ Equity	<u>\$5,531,637</u>

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

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

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**Note 16 – Tax Abatements**

For 2016, Governmental Accounting Standards Board (GASB) Statement No. 77, “Tax Abatement Disclosures” was effective. This GASB pronouncement had no effect on beginning net position as reported December 31, 2015.

For purposes of GASB Statement No 77, the definition of a tax abatement is: A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise

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entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. (GASB 77, paragraph 4) See paragraphs 7 and 8 of GASB 77 for specific information related to disclosures of tax abatements.

The Village passed Ordinance #00-3802-Silverton Neighborhood Community Reinvestment Area, which implemented sections 3735.65 to 3735.70 of the Ohio Revised Code regarding designation of Community Reinvestment Areas (CRA), which encourages economic stability, maintain real property values, and generate new employment opportunities in the Village, under the CRA. The Village had the following abatements:

The Village abated the taxes for 3934 Cedarwood Place a residential property for remodeling purposes, under the CRA Ordinance 2016-3507 and amended CRA Ordinance 2008-3277. The amount of property taxes that will be abated is up to \$15,000 for 10 years and the gross dollar amount the Village's tax revenues were reduced during the reporting period was \$469. The mechanism of how the taxes were abated are included in Resolution #2016-3507, exhibit B. There are no recapture provisions, no commitments made in exchange for the abatement (except for the remodeling of the property), nothing will be received or due from other governments in association with the abated taxes and no other associated commitments were made by the abated government.

The Village abated the taxes for 6024 Hedge Avenue a commercial property for remodeling purposes, under the CRA Ordinance 2016-3506 and amended CRA Ordinance 2008-3278. The amount of property taxes that will be abated is up to \$71,979, 10 years and the gross dollar amount the Village's tax revenues were reduced during the reporting period was \$4,948. The mechanism of how the taxes were abated are included in Resolution #2016-3506, exhibit B. There are no recapture provisions, no commitments made in exchange for the abatement (except for the remodeling of the property), nothing will be received or due from other governments in association with the abated taxes and no other associated commitments were made by the abated government.

The Village had no tax abatement agreements of other governments, which would reduce the Village's tax revenues.

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**Note 17 – Implementation of New Accounting Principles**

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For the fiscal year ended December 31, 2016, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the Village's note disclosures.

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GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Village.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Village.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. See note 16 regarding the implementation of GASB Statement No 77.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Village.

# VILLAGE OF SILVERTON



**Yellow Book Report**

**December 31, 2016**

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

Village Manager and  
Members of Village Council  
Village of Silverton  
Hamilton County, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton, Ohio (the Village), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated May 8, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Cincinnati, Ohio

May 8, 2017





# Dave Yost • Auditor of State

VILLAGE OF SILVERTON

HAMILTON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 15, 2017