



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF SYLVANIA
LUCAS COUNTY

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REPORT ON INDEPENDENT ACCOUNTANTS

City of Sylvania
Lucas County
6730 Monroe Street
Sylvania, Ohio 43560-1948

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Sylvania (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose 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 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 20, 2002

THE CITY OF SYLVANIA, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	<i>Governmental</i>			<i>Proprietary</i>		<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)	
	<i>Fund Types</i>			<i>Fund Types</i>		<i>Fund Types</i>	<i>Groups</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits:										
Assets:										
Cash and Cash Equivalents	\$230,313	\$2,169,829	\$476,807	\$8,670,628	\$1,513,363	\$5,001	\$260,445	\$0	\$0	\$13,326,386
Investments	468,207	0	0	14,872,642	3,096,093	0	0	0	0	18,436,942
Receivables (net of allowance for doubtful accounts):										
Taxes	1,107,107	1,013,834	291,601	156,106	0	0	0	0	0	2,568,648
Accounts	187,723	11,493	0	31,838	761,185	712	0	0	0	992,951
Interest	9,131	0	0	233,620	48,633	0	293	0	0	291,677
Special Assessments	0	313,454	295,496	0	0	0	0	0	0	608,950
Due From Other Funds	0	0	83,914	0	0	0	0	0	0	83,914
Intergovernmental Receivables	19,440	53,012	0	42,764	0	0	0	0	0	115,216
Inventory of Supplies at Cost	174,988	171,361	0	0	127,867	38,519	0	0	0	512,735
Prepaid Items	38,463	16,294	0	0	15,825	940	0	0	0	71,522
Restricted Assets:										
Cash and Cash Equivalents	0	0	0	0	0	0	1,063	0	0	1,063
Fixed Assets (net of accumulated depreciation)	0	0	0	0	20,757,132	28,495	0	19,559,828	0	40,345,455
Other Debits:										
Amount Available in Debt Service Funds	0	0	0	0	0	0	0	0	538,614	538,614
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	0	8,686,098	8,686,098
Total Assets and Other Debits	\$2,235,372	\$3,749,277	\$1,147,818	\$24,007,598	\$26,320,098	\$73,667	\$261,801	\$19,559,828	\$9,224,712	\$86,580,171

(Continued)

	<i>Governmental Fund Types</i>				<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals
	General	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	(Memorandum
	Fund	Revenue	Service	Projects	Funds	Service	Agency	Fixed	Long-Term	Only)
		Funds	Funds	Funds	Funds	Fund	Funds	Assets	Obligations	
Liabilities, Equity and Other Credits:										
Liabilities:										
Accounts Payable	\$225,782	\$107,678	\$6,193	\$485,227	\$71,561	\$9,109	\$482	\$0	\$0	\$906,032
Accrued Wages and Benefits	164,641	135,076	0	0	36,277	5,215	0	0	0	341,209
Intergovernmental Payables	22,520	0	0	0	76,188	0	0	0	0	98,708
Due to Other Funds	0	0	83,914	0	0	0	0	0	0	83,914
Due to Others	0	0	0	0	0	0	52,897	0	0	52,897
Accrued Interest Payable	0	0	0	89,703	0	0	0	0	0	89,703
Deferred Revenue	940,703	820,227	519,097	150,791	0	0	0	0	0	2,430,818
General Obligation Notes Payable	0	0	0	4,945,000	0	0	0	0	0	4,945,000
Compensated Absences Payable	28,573	2,820	0	0	232,141	46,105	0	0	941,202	1,250,841
Capital Leases Payable	0	0	0	0	70,098	0	0	0	34,929	105,027
Ohio Public Works Commission Loan Payable	0	0	0	0	0	0	0	0	221,281	221,281
Promissory Notes Payable	0	0	0	0	0	0	0	0	480,300	480,300
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	7,225,489	7,225,489
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0	0	0	0	0	321,511	321,511
Total Liabilities	1,382,219	1,065,801	609,204	5,670,721	486,265	60,429	53,379	0	9,224,712	18,552,730
Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	19,559,828	0	19,559,828
Contributed Capital	0	0	0	0	21,418,198	40,092	0	0	0	21,458,290
Retained Earnings (Accumulated Deficit):										
Unreserved	0	0	0	0	4,415,635	(26,854)	0	0	0	4,388,781
Fund Balances:										
Reserved for Encumbrances	87,849	39,289	0	504,380	0	0	0	0	0	631,518
Reserved for Supplies Inventory	174,988	171,361	0	0	0	0	0	0	0	346,349
Reserved for Prepaid Items	38,463	16,294	0	0	0	0	0	0	0	54,757
Reserved for Debt Service	0	0	538,614	0	0	0	0	0	0	538,614
Reserved for Endowments	0	0	0	0	0	0	1,063	0	0	1,063
Unreserved:										
Undesignated	551,853	2,456,532	0	17,832,497	0	0	207,359	0	0	21,048,241
Total Equity and Other Credits	853,153	2,683,476	538,614	18,336,877	25,833,833	13,238	208,422	19,559,828	0	68,027,441
Total Liabilities, Equity and Other Credits	\$2,235,372	\$3,749,277	\$1,147,818	\$24,007,598	\$26,320,098	\$73,667	\$261,801	\$19,559,828	\$9,224,712	\$86,580,171

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF SYLVANIA, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Taxes	\$1,915,989	\$4,515,767	\$288,903	\$1,049,883	\$0	\$7,770,542
Intergovernmental Revenues	1,721,499	830,892	353,157	1,008,144	0	3,913,692
Charges for Services	242,306	0	0	0	0	242,306
Licenses, Permits and Fees	216,705	0	0	0	0	216,705
Investment Earnings	343,889	0	0	1,101,965	(2,856)	1,442,998
Special Assessments	0	643,208	152,116	0	0	795,324
Fines and Forfeitures	781,272	40,514	0	149,727	0	971,513
All Other Revenues	275,999	31,968	165,052	92,642	42,980	608,641
Total Revenues	5,497,659	6,062,349	959,228	3,402,361	40,124	15,961,721
Expenditures:						
Current:						
Security of Persons and Property	2,966,399	837,079	0	0	18,748	3,822,226
Public Health and Welfare Services	177,959	0	0	0	0	177,959
Leisure Time Activities	538,801	0	0	0	0	538,801
Community Environment	264,132	222,449	0	0	15,968	502,549
Basic Utility Services	462,054	152,649	0	0	0	614,703
Transportation	125,025	984,934	0	0	0	1,109,959
General Government	2,392,694	431,379	8,370	0	15,357	2,847,800
Capital Outlay	0	0	0	3,930,271	0	3,930,271
Debt Service:						
Principal Retirements	0	0	733,000	104,011	0	837,011
Interest and Fiscal Charges	0	0	434,806	118,354	0	553,160
Total Expenditures	6,927,064	2,628,490	1,176,176	4,152,636	50,073	14,934,439
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,429,405)	3,433,859	(216,948)	(750,275)	(9,949)	1,027,282
Other Financing Sources (Uses):						
Operating Transfers In	1,836,308	525,141	577,014	2,882,469	0	5,820,932
Operating Transfers Out	(300,792)	(3,788,589)	(12,070)	(1,558,179)	0	(5,659,630)
Total Other Financing Sources (Uses)	1,535,516	(3,263,448)	564,944	1,324,290	0	161,302
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	106,111	170,411	347,996	574,015	(9,949)	1,188,584
Fund Balance Beginning of Year	729,171	2,570,408	190,618	17,762,862	217,308	21,470,367
Increase (Decrease) in Inventory Reserve	17,871	(57,343)	0	0	0	(39,472)
Fund Balance End of Year	\$853,153	\$2,683,476	\$538,614	\$18,336,877	\$207,359	\$22,619,479

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF SYLVANIA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$1,900,800	\$1,902,251	\$1,451	\$4,709,000	\$4,460,936	(\$248,064)
Intergovernmental Revenues	1,531,300	1,779,541	248,241	943,800	903,553	(40,247)
Charges for Services	234,000	241,416	7,416	0	0	0
Licenses, Permits and Fees	201,300	200,378	(922)	0	0	0
Investment Earnings	269,500	338,221	68,721	600	0	(600)
Special Assessments	0	0	0	645,180	643,208	(1,972)
Fines and Forfeitures	847,000	784,825	(62,175)	48,000	41,102	(6,898)
All Other Revenues	279,050	229,813	(49,237)	34,490	21,822	(12,668)
Total Revenues	5,262,950	5,476,445	213,495	6,381,070	6,070,621	(310,449)
Expenditures:						
Current:						
Security of Persons and Property	3,060,904	3,040,172	20,732	889,027	794,029	94,998
Public Health and Welfare Services	158,765	155,638	3,127	0	0	0
Leisure Time Activities	600,850	591,224	9,626	0	0	0
Community Environment	277,626	262,588	15,038	248,725	224,926	23,799
Basic Utility Services	509,655	507,008	2,647	275,813	203,381	72,432
Transportation	150,084	118,576	31,508	982,314	970,665	11,649
General Government	2,626,792	2,436,826	189,966	462,014	428,413	33,601
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	7,384,676	7,112,032	272,644	2,857,893	2,621,414	236,479
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,121,726)	(1,635,587)	486,139	3,523,177	3,449,207	(73,970)
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	2,453,681	1,836,308	(617,373)	638,025	525,141	(112,884)
Operating Transfers Out	(324,037)	(300,792)	23,245	(3,805,010)	(3,788,589)	16,421
Total Other Financing Sources (Uses)	2,129,644	1,535,516	(594,128)	(3,166,985)	(3,263,448)	(96,463)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,918	(100,071)	(107,989)	356,192	185,759	(170,433)
Fund Balance at Beginning of Year	537,572	537,572	0	1,842,355	1,842,355	0
Prior Year Encumbrances	107,753	107,753	0	100,693	100,693	0
Fund Balance at End of Year	\$653,243	\$545,254	(\$107,989)	\$2,299,240	\$2,128,807	(\$170,433)

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

THE CITY OF SYLVANIA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$282,000	\$288,903	\$6,903	\$1,035,000	\$1,036,145	\$1,145
Intergovernmental Revenues	343,500	353,157	9,657	255,000	1,001,380	746,380
Charges for Services	0	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	900,000	961,643	61,643
Special Assessments	153,772	152,116	(1,656)	0	0	0
Fines and Forfeitures	0	0	0	144,500	148,308	3,808
All Other Revenues	166,112	165,052	(1,060)	102,000	79,592	(22,408)
Total Revenues	945,384	959,228	13,844	2,436,500	3,227,068	790,568
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	14,800	8,370	6,430	0	0	0
Capital Outlay	0	0	0	5,207,166	4,435,509	771,657
Debt Service:						
Principal Retirement	723,502	655,352	68,150	104,011	104,011	0
Interest and Fiscal Charges	509,798	508,783	1,015	34,874	28,651	6,223
Total Expenditures	1,248,100	1,172,505	75,595	5,346,051	4,568,171	777,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	(302,716)	(213,277)	89,439	(2,909,551)	(1,341,103)	1,568,448
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	4,945,000	4,945,000	0
Operating Transfers In	577,014	577,014	0	2,882,720	2,882,469	(251)
Operating Transfers Out	(12,070)	(12,070)	0	(2,175,561)	(1,558,179)	617,382
Total Other Financing Sources (Uses)	564,944	564,944	0	5,652,159	6,269,290	617,131
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	262,228	351,667	89,439	2,742,608	4,928,187	2,185,579
Fund Balance at Beginning of Year	125,140	125,140	0	17,336,458	17,336,458	0
Prior Year Encumbrances	0	0	0	311,943	311,943	0
Fund Balance at End of Year	\$387,368	\$476,807	\$89,439	\$20,391,009	\$22,576,588	\$2,185,579

(Continued)

THE CITY OF SYLVANIA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$7,926,800	\$7,688,235	(\$238,565)
Intergovernmental Revenues	0	19,103	19,103	3,073,600	4,056,734	983,134
Charges for Services	0	0	0	234,000	241,416	7,416
Licenses, Permits and Fees	0	0	0	201,300	200,378	(922)
Investment Earnings	0	804	804	1,170,100	1,300,668	130,568
Special Assessments	0	0	0	798,952	795,324	(3,628)
Fines and Forfeitures	0	0	0	1,039,500	974,235	(65,265)
All Other Revenues	67,000	42,980	(24,020)	648,652	539,259	(109,393)
Total Revenues	67,000	62,887	(4,113)	15,092,904	15,796,249	703,345
Expenditures:						
Current:						
Security of Persons and Property	19,450	19,264	186	3,969,381	3,853,465	115,916
Public Health and Welfare Services	0	0	0	158,765	155,638	3,127
Leisure Time Activities	0	0	0	600,850	591,224	9,626
Community Environment	18,023	15,968	2,055	544,374	503,482	40,892
Basic Utility Services	0	0	0	785,468	710,389	75,079
Transportation	0	0	0	1,132,398	1,089,241	43,157
General Government	16,041	15,262	779	3,119,647	2,888,871	230,776
Capital Outlay	0	0	0	5,207,166	4,435,509	771,657
Debt Service:						
Principal Retirement	0	0	0	827,513	759,363	68,150
Interest and Fiscal Charges	0	0	0	544,672	537,434	7,238
Total Expenditures	53,514	50,494	3,020	16,890,234	15,524,616	1,365,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,486	12,393	(1,093)	(1,797,330)	271,633	2,068,963
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	4,945,000	4,945,000	0
Operating Transfers In	0	0	0	6,551,440	5,820,932	(730,508)
Operating Transfers Out	0	0	0	(6,316,678)	(5,659,630)	657,048
Total Other Financing Sources (Uses)	0	0	0	5,179,762	5,106,302	(73,460)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	13,486	12,393	(1,093)	3,382,432	5,377,935	1,995,503
Fund Balance at Beginning of Year	182,038	182,038	0	20,023,563	20,023,563	0
Prior Year Encumbrances	1,563	1,563	0	521,952	521,952	0
Fund Balance at End of Year	\$197,087	\$195,994	(\$1,093)	\$23,927,947	\$25,923,450	\$1,995,503

THE CITY OF SYLVANIA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Proprietary</i>		<i>Fiduciary</i>	
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise	Internal	Non- Expendable	Totals
	Funds	Service	Trust	(Memorandum Only)
	Fund	Fund	Fund	
<u>Operating Revenues:</u>				
Charges for Services	\$4,774,269	\$75,655	\$0	\$4,849,924
Other Operating Revenues	282,913	0	0	282,913
Total Operating Revenues	5,057,182	75,655	0	5,132,837
<u>Operating Expenses:</u>				
Personal Services	1,187,582	166,675	0	1,354,257
Materials and Supplies	255,576	84,882	0	340,458
Contractual Services	1,945,002	12,806	0	1,957,808
Depreciation	700,681	6,074	0	706,755
Total Operating Expenses	4,088,841	270,437	0	4,359,278
Operating Income (Loss)	968,341	(194,782)	0	773,559
<u>Nonoperating Revenues (Expenses):</u>				
Investment Earnings	368,275	0	0	368,275
Interest and Fiscal Charges	(5,554)	0	0	(5,554)
Loss on Disposal of Fixed Assets	(6,636)	(19)	0	(6,655)
Other Nonoperating Revenues	0	821	0	821
Total Nonoperating Revenues (Expenses)	356,085	802	0	356,887
Income (Loss) Before Operating Transfers	1,324,426	(193,980)	0	1,130,446
<u>Operating Transfers:</u>				
Operating Transfers In	58,350	173,790	0	232,140
Operating Transfers Out	(393,442)	0	0	(393,442)
Total Operating Transfers	(335,092)	173,790	0	(161,302)
Net Income (Loss)	989,334	(20,190)	0	969,144
Retained Earnings (Accumulated Deficit) / Fund Balance at Beginning of Year	3,426,301	(6,664)	1,063	3,420,700
Retained Earnings (Accumulated Deficit) / Fund Balance at End of Year	\$4,415,635	(\$26,854)	\$1,063	\$4,389,844

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF SYLVANIA, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Proprietary</i>		<i>Fiduciary</i>	
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise Funds	Internal Service Fund	Non- Expendable Trust Fund	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$5,031,484	\$75,764	\$0	\$5,107,248
Cash Payments for Goods and Services	(2,218,611)	(99,248)	0	(2,317,859)
Cash Payments to Employees	(1,147,328)	(163,446)	0	(1,310,774)
Net Cash Provided (Used) by Operating Activities	<u>1,665,545</u>	<u>(186,930)</u>	<u>0</u>	<u>1,478,615</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	58,350	173,790	0	232,140
Transfers Out to Other Funds	(393,442)	0	0	(393,442)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(335,092)</u>	<u>173,790</u>	<u>0</u>	<u>(161,302)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(1,447,540)	0	0	(1,447,540)
Capital Lease Payment	(36,921)	0	0	(36,921)
Interest Paid on All Debt	(5,554)	0	0	(5,554)
Net Cash Used for Capital and Related Financing Activities	<u>(1,490,015)</u>	<u>0</u>	<u>0</u>	<u>(1,490,015)</u>
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	225,987	0	0	225,987
Receipts of Interest	343,713	0	0	343,713
Net Cash Provided by Investing Activities	<u>569,700</u>	<u>0</u>	<u>0</u>	<u>569,700</u>
Net Increase (Decrease) in Cash and Cash Equivalents	410,138	(13,140)	0	396,998
Cash and Cash Equivalents at Beginning of Year	1,103,225	18,141	1,063	1,122,429
Cash and Cash Equivalents at End of Year	<u>\$1,513,363</u>	<u>\$5,001</u>	<u>\$1,063</u>	<u>\$1,519,427</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>				
Cash and Cash Equivalents	\$1,513,363	\$5,001	\$260,445	\$1,778,809
Restricted Cash and Cash Equivalents	0	0	1,063	1,063
Less Cash in Expendable Trust Funds	0	0	(207,548)	(207,548)
Less Cash in Agency Funds	0	0	(52,897)	(52,897)
Cash and Cash Equivalents at End of Year	<u>\$1,513,363</u>	<u>\$5,001</u>	<u>\$1,063</u>	<u>\$1,519,427</u>

(Continued)

THE CITY OF SYLVANIA, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise Funds	Internal Service Fund	Non- Expendable Trust Fund	
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$968,341	(\$194,782)	\$0	\$773,559
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Miscellaneous Nonoperating Income	0	109	0	109
Depreciation Expense	700,681	6,074	0	706,755
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(25,698)	0	0	(25,698)
Increase in Inventory	(1,602)	(3,782)	0	(5,384)
(Increase) Decrease in Prepaid Items	12,215	(343)	0	11,872
Increase in Accounts Payable	11,849	2,565	0	14,414
Increase in Accrued Wages and Benefits	17,959	2,826	0	20,785
Decrease in Intergovernmental Payables	(41,591)	0	0	(41,591)
Increase in Compensated Absences	23,391	403	0	23,794
Total Adjustments	697,204	7,852	0	705,056
Net Cash Provided (Used) by Operating Activities	<u>\$1,665,545</u>	<u>(\$186,930)</u>	<u>\$0</u>	<u>\$1,478,615</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During 2000, the Resource Recovery Fund received \$88,233 of capital assets contributed by other funds.

During 2000 the fair value of investments increased by \$1,857 and \$2,817 in the Water and Sewer Funds respectively.

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF SYLVANIA, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sylvania, Ohio (the "City") is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter which provides for a Council/Mayor form of government, was adopted in 1961 and has been amended 3 times (1968, 1984, 1985).

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of December 31, 2000 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Jointly Governed Organization

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

The SAJRD operates the City-owned Tam O'Shanter ice skating complex under an agreement with the City. The terms of the agreement require the SAJRD to pay the City an annual amount equal to the City's debt service on the ice skating complex and reimbursement of any building improvements made to the facility by the City. The total amount received by the City in 2000 from the SAJRD was \$165,053 for debt service.

B. Basis of Presentation - Fund Accounting

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

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

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio, and the limitations of the City Charter.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Debt Service Funds - These funds are used for the accumulation of resources for the payment of general obligation and special assessment long-term debt principal and interest other than those accounted for in the proprietary funds.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) are segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, whereby the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - This fund is used to account for the financing of services provided by one department to other departments or agencies of the governmental unit or to other governmental units on a cost-reimbursement basis. The City created the City Garage Internal Service Fund to account for revenues and expenses associated with maintaining the City's motor transport equipment.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains expendable trust funds, a nonexpendable trust fund and an agency fund. The expendable trust funds are accounted for and reported similarly to a governmental fund. The nonexpendable trust fund is accounted for and reported similarly to proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the City except those accounted for in the proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Special assessment installments which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2000, but which are not intended to finance 2000 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The accrual basis of accounting is utilized for reporting purposes by the proprietary and non-expendable trust funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. Budgetary Process

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the previous year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the county budget commission. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. The Finance Director is authorized to transfer appropriations between objects of expenditure budgeted within the same function, so long as total appropriations for each function

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations (Continued)

do not exceed the amount approved by Council. During the year, several supplemental appropriations were necessary to budget for capital improvements, vehicle purchases, community service programs, and various incidental expenditures. The supplemental appropriations increased year end appropriations by approximately 23% over the appropriation ordinance approved in January, 2000. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types and Expendable Trust Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds and expendable trust funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	\$106,111	\$170,411	\$347,996	\$574,015	(\$9,949)
Increase (Decrease):					
Accrued Revenues at December 31, 2000 received during 2001	(383,405)	(571,566)	(151,914)	(335,991)	(11,847)
Accrued Revenues at December 31, 1999 received during 2000	362,191	579,838	68,000	160,698	34,610
Accrued Expenditures at December 31, 2000 paid during 2001	441,516	245,574	90,107	574,930	482
Accrued Expenditures at December 31, 1999 paid during 2000	(453,717)	(190,461)	(2,522)	(46,237)	(903)
1999 Prepays for 2000	18,255	9,279	0	0	0
2000 Prepays for 2001	(38,463)	(16,294)	0	0	0
Note Issuance Outstanding	0	0	0	4,945,000	0
Encumbrances	(152,559)	(41,022)	0	(944,228)	0
Budget Basis	<u>(\$100,071)</u>	<u>\$185,759</u>	<u>\$351,667</u>	<u>\$4,928,187</u>	<u>\$12,393</u>

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), and investments with original maturities of less than three months. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 3, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2000. 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, 2000.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by the ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

General fixed asset values were determined at December 31, 1987 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings and Improvements	40
Improvements Other Than Buildings	50
Machinery, Equipment, Furniture and Fixtures	5 - 20

I. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Debt Service Fund
Special Assessment Bonds (with governmental commitment)	Special Assessment Debt Service Fund
Ohio Public Works Commission Loan Payable	Capital Improvement Fund
Promissory Notes Payable	Capital Improvement Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Income Tax Fund Water Fund Sewer Fund Garage Fund
Capital Leases	Capital Improvement Fund Sewer Fund

J. Compensated Absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

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

K. Pensions

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

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers in 2000.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

M. Reservations of Fund Balance

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues is recorded as an operating expense and closed along with other operating expenses directly to retained earnings.

O. Restricted Assets

Certain investments are classified as restricted investments on the balance sheet because these funds are being held by a trustee according to the terms of the trust agreement which restricts the uses of investment principal.

P. Estimates

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

Q. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund transactions have not been eliminated in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund/Retained Earnings Deficits

The fund deficit at December 31, 2000 of \$63,371 in the Police Pension Fund (special revenue fund) arises from the recognition of expenditures on a modified accrual basis of accounting which are greater than expenditures on the budgetary basis of accounting. The fund deficit at December 31, 2000 of \$1,508,929 in the McCord Road Project Fund (capital projects fund) arises from the recording of general obligation notes payable within the individual fund. The accumulated deficit of \$26,854 in the Garage Fund (internal service fund) arises from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting. A deficit does not exist under the budgetary/cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

B. Fiscal Officer Compliance

The Finance Director did not encumber all expenditures at the point when the contract was entered into or when orders for goods or services were incurred. The City is working to remedy this situation in the future.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

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NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)*Investments:*

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the City's name.

A. Deposits

At year end the carrying amount of the City's deposits was \$14,072,806 and the bank balance was \$14,324,915. The Federal Deposit Insurance Corporation (FDIC) covered \$300,000 of the bank balance. All remaining deposits were classified as Category 2. In addition, the City had \$2,150 cash on hand.

B. Investments

The City's investments at December 31, 2000 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
United States Treasury Notes	\$4,436,942	\$0	\$4,436,942	\$4,436,942
Repurchase Agreement	0	1,174,007	1,174,007	1,174,007
Total Categorized Investments	<u>4,436,942</u>	<u>1,174,007</u>	<u>5,610,949</u>	<u>5,610,949</u>
<u>Non-Categorized Investments</u>				
STAR Ohio	0	12,048,812	12,048,812	12,048,812
Toledo Community Foundation, Inc. (mutual fund)	0	29,674	29,674	29,674
Total Non-Categorized Investments	<u>0</u>	<u>12,078,486</u>	<u>12,078,486</u>	<u>12,078,486</u>
Total Investments	<u>\$4,436,942</u>	<u>\$13,252,493</u>	<u>\$17,689,435</u>	<u>\$17,689,435</u>

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$13,327,449	\$18,436,942
Certificates of Deposit (with maturities of more than 3 months)	14,000,000	(14,000,000)
Investments:		
STAR Ohio	(12,048,812)	12,048,812
Repurchase Agreement	(1,174,007)	1,174,007
Toledo Community Foundation, Inc.	(29,674)	29,674
Per GASB Statement No. 3	<u>\$14,074,956</u>	<u>\$17,689,435</u>

* Includes Cash with Fiscal Agent and Petty Cash

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2000 and the equalization adjustment was completed in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Sylvania. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2000 was \$5.10 per \$1,000 of assessed value. The assessed value upon which the 2000 receipts were based was \$330,015,266. This amount constitutes \$302,444,580 in real property assessed value, \$9,695,750 in public utility assessed value and \$17,874,936 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .510% (5.10 mills) of assessed value.

B. Income Tax

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

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

NOTE 5 - RECEIVABLES

Receivables at December 31, 2000 consisted of taxes, intergovernmental receivables, special assessments, accounts receivable and interest.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2000, is as follows:

A. Due from/to Other Funds

<u>Due from/to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Debt Service Funds:		
General Obligation Debt Service Fund	\$83,914	\$0
Special Assessment Debt Service Fund	<u>0</u>	<u>83,914</u>
Totals	<u><u>\$83,914</u></u>	<u><u>\$83,914</u></u>

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2000:

Fund	Transfer In	Transfer Out
General Fund	\$1,836,308	\$300,792
Special Revenue Funds:		
Street Construction, Maintenance and Repair Fund	395,141	0
City Permissive Tax Fund	0	215,035
State Highway Improvement Fund	0	37,246
City Services Fund	80,000	0
Income Tax Fund	0	3,536,308
COPS Universal Hiring Grant Fund	50,000	0
Total Special Revenue Funds	525,141	3,788,589
Debt Service Funds:		
General Obligation Debt Service Fund	577,014	0
Special Assessment Debt Service Fund	0	12,070
Total Debt Service Funds	577,014	12,070
Capital Projects Funds:		
Capital Improvement Fund	2,803,469	1,168,430
Court Capital Improvement Fund	0	90,000
McCord Road Project Fund	0	299,749
Sylvania Avenue Improvement Project Fund	79,000	0
Total Capital Projects Funds	2,882,469	1,558,179
Enterprise Funds:		
Water Fund	8,350	156,720
Sewer Fund	0	236,722
Resource Recovery Fund	50,000	0
Total Enterprise Funds	58,350	393,442
Internal Service Fund:		
City Garage Fund	173,790	0
Totals	\$6,053,072	\$6,053,072

NOTE 8 - FIXED ASSETS**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	December 31, 1999	Additions	Deletions	December 31, 2000
Land	\$3,944,763	\$0	(\$529,844)	\$3,414,919
Buildings	12,857,338	2,197,442	(2,774,387)	12,280,393
Improvements Other than Buildings	20,224	0	(7,704)	12,520
Machinery and Equipment	3,612,396	258,651	(214,801)	3,656,246
Construction in Progress	170,301	25,449	0	195,750
Totals	\$20,605,022	\$2,481,542	(\$3,526,736)	\$19,559,828

Schedule of General Fixed Assets at December 31, 2000:

General Fixed Assets	Investment in General Fixed Assets by Source		
Land	\$3,414,919	General Fund	\$16,706,612
Buildings	12,280,393	Special Revenue Funds	2,171,056
Improvements Other than Buildings	12,520	Capital Projects Funds	106,826
Machinery and Equipment	3,656,246	Proprietary Funds	29,537
Construction in Progress	195,750	Expensible Trust Funds	545,797
Total	\$19,559,828	Total	\$19,559,828

B. Proprietary Fixed Assets

Summary by Category at December 31, 2000:

Category	Historic Cost	Accumulated Depreciation	Book Value
Enterprise:			
Land	\$18,440	\$0	\$18,440
Buildings and Improvements	560,104	(382,285)	177,819
Improvements Other Than Buildings	30,906,277	(10,964,457)	19,941,820
Machinery and Equipment	1,416,561	(797,508)	619,053
Property, Plant and Equipment	\$32,901,382	(\$12,144,250)	\$20,757,132
Internal Service:			
Machinery and Equipment	\$88,653	(\$60,158)	\$28,495
Property, Plant and Equipment	\$88,653	(\$60,158)	\$28,495

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *"Accounting for Pensions by State and Local Government Employers."*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension and 4.3% to fund health care. The 1999 and 1998 employer contribution rates were 13.55%. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999 and 1998 were \$416,580, \$497,178 and \$458,421, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3% of covered payroll which amounted to \$165,180.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio’s latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

All City full-time police officers participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999 and 1998 were \$356,171, \$335,626 and \$325,482 for police, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$132,423 representing 7.25% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

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NOTE 10 – COMPENSATED ABSENCES

All City employees earn vacation at varying rates based upon length of service. Vacation time can not be carried over from one year to the next without approval from the Mayor.

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

Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group.

At December 31, 2000, the total accumulated unpaid sick leave and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	39,709	\$903,434
Vacation	<u>1,905</u>	<u>37,768</u>
Totals	<u>41,614</u>	<u>\$941,202</u>

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

NOTE 11 - NOTES PAYABLE

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

	<u>Issue Date</u>	<u>Balance December 31, 1999</u>	<u>Issued (Retired)</u>	<u>Balance December 31, 2000</u>
Capital Projects Note Payable:				
4.50% Street Improvement	2/24/00	\$0	\$2,145,000	\$2,145,000
4.75% Various Purpose	12/12/00	0	2,800,000	2,800,000
Total Notes Payable		<u>\$0</u>	<u>\$4,945,000</u>	<u>\$4,945,000</u>

NOTE 12 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2000 were as follows:

		Balance December 31, 1999	Issued (Retired)	Balance December 31, 2000
Enterprise Funds:				
Capital Lease		\$107,019	(\$36,921)	\$70,098
General Long-Term Debt:				
Ohio Public Works Commission Loans:				
0.000% Monroe/Erie Street Improvements	1996	\$98,000	(\$14,000)	\$84,000
0.000% Brint Road Extension	1997	156,893	(19,612)	137,281
Total Ohio Public Works Commission Loans		<u>254,893</u>	<u>(33,612)</u>	<u>221,281</u>
General Obligation Bonds:				
7.000% Maintenance Building Bonds	1986	420,000	(35,000)	385,000
7.000% Recreational Facilities	1986	290,000	(20,000)	270,000
6.375% Capital Improvement	1987	57,120	(7,140)	49,980
6.375% Harroun Road Improvement	1987	315,000	(35,000)	280,000
6.243% Street Improvement	1991	257,221	(123,962)	133,259
5.304% Recreational Facility	1993	1,585,000	(80,000)	1,505,000
6.850% Street Improvement	1994	214,500	(39,000)	175,500
4.700% Municipal Building Improvement Recreational Facilities	1997	2,215,000	(170,000)	2,045,000
4.250% Street Improvement	1998	2,489,250	(107,500)	2,381,750
Total General Obligation Bonds		<u>7,843,091</u>	<u>(617,602)</u>	<u>7,225,489</u>
Special Assessment Bonds: (with governmental commitment)				
12.625% Sanitary Sewer Contract D	1981	8,000	(4,000)	4,000
6.375% Capital Improvement	1987	54,880	(6,860)	48,020
6.243% Street Improvement	1991	157,779	(76,038)	81,741
6.850% Street Improvement	1994	60,500	(11,000)	49,500
4.250% Street Improvement	1998	155,750	(17,500)	138,250
Total Special Assessment Bonds (with governmental commitment)		<u>436,909</u>	<u>(115,398)</u>	<u>321,511</u>
Promissory Notes Payable:				
6.500% Howard Property	1995	486,174	(13,874)	472,300
0.000% Historical Village Project	1995	4,000	(4,000)	0
0.000% Centennial Terrace/Quarry	1995	16,000	(8,000)	8,000
Total Promissory Notes		<u>506,174</u>	<u>(25,874)</u>	<u>480,300</u>
Total General Long-Term Debt		<u>9,041,067</u>	<u>(792,486)</u>	<u>8,248,581</u>
Other Long-Term Obligations:				
Compensated Absences		969,013	(27,811)	941,202
Capital Lease		79,454	(44,525)	34,929
Total Other Long-Term Obligations		<u>1,048,467</u>	<u>(72,336)</u>	<u>976,131</u>
Total General Long-Term Debt and Other Long-Term Obligations		<u>\$10,089,534</u>	<u>(\$864,822)</u>	<u>\$9,224,712</u>

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

The principal amount of the City's special assessment debt outstanding at December 31, 2000, \$321,511, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$60,207 in the Special Assessment Debt Service Fund at December 31, 2000 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$6,076.

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2000, follows:

Years	General Obligation Bonds		Special Assessment Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$646,899	\$367,125	\$121,101	\$17,944	\$74,095	\$4,215
2002	537,790	339,326	36,210	10,435	30,932	925
2003	561,690	312,143	37,310	8,436	0	0
2004	581,690	283,481	37,310	6,362	0	0
2005	554,890	253,683	24,110	4,288	0	0
2006-2010	2,737,530	841,264	65,470	5,814	0	0
2011-2015	1,145,000	270,452	0	0	0	0
2016-2019	460,000	46,750	0	0	0	0
Totals	<u>\$7,225,489</u>	<u>\$2,714,224</u>	<u>\$321,511</u>	<u>\$53,279</u>	<u>\$105,027</u>	<u>\$5,140</u>

Years	OPWC Loans Payable		Promissory Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$33,612	\$0	\$25,326	\$30,699	\$901,033	\$419,983
2002	33,612	0	20,902	29,573	659,446	380,259
2003	33,612	0	22,260	28,215	654,872	348,794
2004	33,612	0	23,707	26,768	676,319	316,611
2005	33,612	0	25,248	25,227	637,860	283,198
2006-2010	53,221	0	153,098	99,277	3,009,319	946,355
2011-2015	0	0	209,759	42,617	1,354,759	313,069
2016-2019	0	0	0	0	460,000	46,750
Totals	<u>\$221,281</u>	<u>\$0</u>	<u>\$480,300</u>	<u>\$282,376</u>	<u>\$8,353,608</u>	<u>\$3,055,019</u>

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

B. Defeasance of General Obligation Debt

On May 25, 1995, the City sold Sylvania Pacesetter Park for \$1,465,710 to the Sylvania Area Joint Recreation District (SAJRD) to defease \$1,350,000 of outstanding bonds with an interest rate of 6.705%. The principal amount outstanding on the defeased bonds at December 31, 2000 was \$1,015,000. The entire amount of proceeds from the sale of Pacesetter Park was transferred to an irrevocable trust. The trustee was directed to hold \$44,410 in cash in the escrow fund and to use the remaining \$1,421,300 to purchase United States Treasury Securities - State and Local Government Series (SLGS). The cash deposit combined with anticipated earnings from the SLGS were determined to be sufficient to pay, when due, the remaining debt service payments. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term obligations account group.

In December 1997, the City defeased \$1,965,000 of General Obligation Bonds for Municipal Building Improvements dated May 1, 1990 (the "1990 Bonds") through the issuance of \$2,205,000 of General Obligation Bonds for Municipal Building Improvements (the "1997 Bonds"). The net proceeds of the 1997 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,650,000 at December 31, 2000 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

NOTE 13 - CAPITALIZED LEASES

The City leases a street sweeper and a sewer cleaner under capital leases. The cost of the equipment obtained under the capital lease for the street sweeper is included in the General Fixed Assets Account Group and the related liability included in the General Long-Term Obligations Account Group. The cost of the equipment obtained under the capital lease for the sewer cleaner is accounted for in the Sewer fixed assets and the related liability included in the Sewer Fund.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2000:

<u>Year Ending December 31,</u>	<u>Enterprise Funds</u>	<u>General Long-Term Obligations Account Group</u>	<u>Totals</u>
2001	\$42,475	\$35,835	\$78,310
2002	<u>31,856</u>	<u>0</u>	<u>31,856</u>
Minimum Lease Payments	74,331	35,835	110,166
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(4,233)</u>	<u>(906)</u>	<u>(5,139)</u>
Present value of minimum lease payments	<u>\$70,098</u>	<u>\$34,929</u>	<u>\$105,027</u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are water treatment and distribution, wastewater collection and treatment and resource recovery (recycling). The key financial information for the year ended December 31, 2000 for these enterprise activities is as follows:

	Water	Sewer	Resource Recovery	Total
Operating Revenues	\$2,754,903	\$2,218,965	\$83,314	\$5,057,182
Depreciation	218,219	461,744	20,718	700,681
Operating Income (Loss)	452,701	581,228	(65,588)	968,341
Operating Transfers In	8,350	0	50,000	58,350
Operating Transfers Out	156,720	236,722	0	393,442
Net Income (Loss)	416,083	588,923	(15,672)	989,334
Current Capital Contributions	0	0	88,233	88,233
Property, Plant and Equipment:				
Additions	512,541	954,148	88,233	1,554,922
Deletions	42,914	22,375	790	66,079
Assets	8,790,681	17,240,308	289,109	26,320,098
Net Working Capital	2,260,904	3,069,736	48,300	5,378,940
Total Equity	8,509,529	17,039,999	284,305	25,833,833

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has contracted with various private carriers for the provision of property damage, general liability, automotive damage, public officials liability, police liability, boiler and machinery damage/loss, umbrella liability, and crime and employee dishonesty. Deductible levels for the various policies have been selected so as not to expose the City to excessive "first dollars" loss in the case of a claim. Deductibles range between \$250 and \$500 per loss for property damage. In the professional liability areas, no deductible exceeds \$10,000.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2000, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Municipal Building Improvement	\$174,615	February 2001
Senior Center and Recreation Center	123,443	March 2001
McCord Rd./Sylvania Avenue	344,520	May 2001
Sylvania Historical	22,304	June 2001
Sylvania Avenue Improvement	66,040	July 2001
Total	<u><u>\$730,922</u></u>	

NOTE 17 - CONTRIBUTED CAPITAL

A schedule of changes in contributed capital is presented below:

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Resource Recovery</u>	<u>Total</u>	<u>City Garage</u>
Balance at 12/31/99	\$5,798,894	\$15,413,015	\$118,056	\$21,329,965	\$40,092
Additions:					
Contributions by Other Funds	<u>0</u>	<u>0</u>	<u>88,233</u>	<u>88,233</u>	<u>0</u>
Balance at 12/31/00	<u><u>\$5,798,894</u></u>	<u><u>\$15,413,015</u></u>	<u><u>\$206,289</u></u>	<u><u>\$21,418,198</u></u>	<u><u>\$40,092</u></u>

NOTE 18 - CONTINGENCIES

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

THE CITY OF SYLVANIA, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	Balance December 31, 1999	Additions	Deductions	Balance December 31, 2000
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$28,360	\$2,193,327	(\$2,168,790)	\$52,897
Total Assets	<u>\$28,360</u>	<u>\$2,193,327</u>	<u>(\$2,168,790)</u>	<u>\$52,897</u>
Liabilities:				
Due to Others	\$28,360	\$2,193,327	(\$2,168,790)	\$52,897
Total Liabilities	<u>\$28,360</u>	<u>\$2,193,327</u>	<u>(\$2,168,790)</u>	<u>\$52,897</u>

THE CITY OF SYLVANIA, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCE
DECEMBER 31, 2000

General Fixed Assets

Land	\$3,414,919
Buildings	12,280,393
Improvements Other Than Buildings	12,520
Machinery and Equipment	3,656,246
Construction in Progress	195,750
	<hr/>
Total General Fixed Assets	<u><u>\$19,559,828</u></u>

Investment in General Fixed Assets

General Fund	\$16,706,612
Special Revenue Funds	2,171,056
Capital Projects Funds	106,826
Proprietary Funds	29,537
Expendable Trust Funds	545,797
	<hr/>
Total Investment	<u><u>\$19,559,828</u></u>

THE CITY OF SYLVANIA, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 2000

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
<u>General Government:</u>						
Mayor	\$0	\$0	\$0	\$15,319	\$0	\$15,319
Finance	0	0	0	44,295	0	44,295
Treasurer	0	0	0	18,328	0	18,328
Legal Administration/Prosecutor	0	0	0	48,314	0	48,314
Service Administration	0	0	0	22,826	0	22,826
Legislation	0	0	0	22,476	0	22,476
Municipal Court	0	2,365,121	0	136,118	0	2,501,239
Public Land and Buildings	3,396,573	3,233,035	0	42,137	0	6,671,745
Engineering	0	0	0	90,057	0	90,057
Income Tax	0	0	0	52,672	0	52,672
Total	<u>3,396,573</u>	<u>5,598,156</u>	<u>0</u>	<u>492,542</u>	<u>0</u>	<u>9,487,271</u>
<u>Security of Persons and Property:</u>						
Police	0	6,113	0	737,380	45,595	789,088
Police/Fire Communications	0	0	0	130,315	0	130,315
Total	<u>0</u>	<u>6,113</u>	<u>0</u>	<u>867,695</u>	<u>45,595</u>	<u>919,403</u>
<u>Transportation:</u>						
Street	14,919	1,026,404	0	1,242,324	0	2,283,647
<u>Leisure Time Activities:</u>						
Public Parks and Playgrounds	3,427	706,046	0	387,932	0	1,097,405
Pool and Concessions	0	487,881	0	2,823	0	490,704
Historic Village	0	617,229	0	4,328	124,706	746,263
Recreation Programs	0	813,054	12,520	70,916	0	896,490
Tam-O-Shanter	0	3,025,510	0	443,193	25,449	3,494,152
Total	<u>3,427</u>	<u>5,649,720</u>	<u>12,520</u>	<u>909,192</u>	<u>150,155</u>	<u>6,725,014</u>
<u>Public Health and Welfare:</u>						
Cemetery	0	0	0	13,679	0	13,679
<u>Community Environment:</u>						
Zoning and Board of Appeals	0	0	0	23,988	0	23,988
Trees	0	0	0	106,826	0	106,826
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>130,814</u>	<u>0</u>	<u>130,814</u>
General Fixed Assets	<u>\$3,414,919</u>	<u>\$12,280,393</u>	<u>\$12,520</u>	<u>\$3,656,246</u>	<u>\$195,750</u>	<u>\$19,559,828</u>

THE CITY OF SYLVANIA, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2000

Function and Activity	December 31, 1999	Transfers	Additions	Deletions	December 31, 2000
<u>General Government:</u>					
Mayor	\$15,319	\$0	\$0	\$0	\$15,319
Finance	45,892	0	6,395	(7,992)	44,295
Treasurer	17,676	0	6,395	(5,743)	18,328
Legal Administration/Prosecutor	48,844	0	0	(530)	48,314
Service Administration	21,415	0	2,210	(799)	22,826
Legislation	22,476	0	0	0	22,476
Municipal Court	2,521,392	0	675	(20,828)	2,501,239
Public Land and Buildings	6,661,248	0	341,885	(331,388)	6,671,745
Engineering	92,052	0	0	(1,995)	90,057
Income Tax	46,951	0	10,221	(4,500)	52,672
Total	<u>9,493,265</u>	<u>0</u>	<u>367,781</u>	<u>(373,775)</u>	<u>9,487,271</u>
<u>Security of Persons and Property:</u>					
Police	757,258	0	91,761	(59,931)	789,088
Police/Fire Communications	150,163	0	0	(19,848)	130,315
Total	<u>907,421</u>	<u>0</u>	<u>91,761</u>	<u>(79,779)</u>	<u>919,403</u>
<u>Transportation:</u>					
Street	2,219,057	0	1,099,864	(1,035,274)	2,283,647
<u>Leisure Time Activities:</u>					
Public Parks and Playgrounds	1,106,730	0	665,105	(674,430)	1,097,405
Pool and Concessions	490,704	0	0	0	490,704
Historic Village	1,860,448	0	229,842	(1,344,027)	746,263
Recreation Programs	896,490	0	0	0	896,490
Tam-O-Shanter	3,485,679	0	27,189	(18,716)	3,494,152
Total	<u>7,840,051</u>	<u>0</u>	<u>922,136</u>	<u>(2,037,173)</u>	<u>6,725,014</u>
<u>Public Health and Welfare:</u>					
Cemetery	13,679	0	0	0	13,679
<u>Community Environment:</u>					
Zoning and Board of Appeals	24,723	0	0	(735)	23,988
Trees	106,826	0	0	0	106,826
Total	<u>131,549</u>	<u>0</u>	<u>0</u>	<u>(735)</u>	<u>130,814</u>
General Fixed Assets	<u>\$20,605,022</u>	<u>\$0</u>	<u>\$2,481,542</u>	<u>(\$3,526,736)</u>	<u>\$19,559,828</u>

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STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Sylvania
Lucas County
6730 Monroe Street
Sylvania, Ohio 43560-1948

To the City Council:

We have audited the financial statements of the City of Sylvania (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated June 20, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether City of Sylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000- 20148-001. We also noted an immaterial instance of noncompliance that we have reported to the management of the City in a separate letter dated June 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 20, 2000.

This report is intended for the information and use of the audit committee, management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

June 20, 2002

**CITY OF SYLVANIA
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000**

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

FINDING NUMBER 2000- 20148-001

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Finance Director did not make the proper certification of funds for 50% percent of the expenditures tested during the audit period. We recommend that the Finance Director certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by City officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates.

**CITY OF SYLVANIA
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-20148-001	Ohio Revised Code § 5705.41 (D) - Encumbrance procedures not being followed per revised code.	No	Not corrected. Reissued as finding 2000-20148-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF SYLVANIA

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2002**