



**Auditor of State  
Betty Montgomery**



**CITY OF SYLVANIA  
LUCAS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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, 2002, 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 of Sylvania as of December 31, 2002, 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 September 9, 2004 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 that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 9, 2004

**THE CITY OF SYLVANIA, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2002**

	<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	
<b>Assets and Other Debits:</b>										
Assets:										
Cash and Cash Equivalents	\$225,546	\$2,039,818	\$460,148	\$5,549,722	\$878,982	\$6,731	\$310,328	\$0	\$0	\$9,471,275
Investments	438,670	0	0	16,749,894	3,051,445	0	0	0	0	20,240,009
Receivables (net of allowance for doubtful accounts):										
Taxes	1,215,442	1,067,541	354,146	158,394	0	0	0	0	0	2,795,523
Accounts	158,011	3,134	0	18,322	683,375	0	280	0	0	863,122
Interest	2,118	0	0	80,866	14,732	0	76	0	0	97,792
Special Assessments	0	338,353	96,189	0	0	0	0	0	0	434,542
Intergovernmental Receivables	913,772	369,194	22,325	359,000	0	0	0	0	0	1,664,291
Inventory of Supplies at Cost	181,318	152,921	0	0	160,733	52,482	0	0	0	547,454
Prepaid Items	46,898	24,480	0	0	25,042	1,297	0	0	0	97,717
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	20,843,427	28,490	0	24,848,680	0	45,720,597
Other Debits:										
Amount Available in Debt Service Funds	0	0	0	0	0	0	0	0	528,148	528,148
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	0	11,413,026	11,413,026
<b>Total Assets and Other Debits</b>	<b>\$3,181,775</b>	<b>\$3,995,441</b>	<b>\$932,808</b>	<b>\$22,916,198</b>	<b>\$25,657,736</b>	<b>\$89,000</b>	<b>\$311,747</b>	<b>\$24,848,680</b>	<b>\$11,941,174</b>	<b>\$93,874,559</b>

(Continued)

	<i>Governmental Fund Types</i>			<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)	
	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	
<b><u>Liabilities, Equity and Other Credits:</u></b>										
Liabilities:										
Accounts Payable	\$251,872	\$110,541	\$0	\$75,499	\$333,695	\$8,123	\$1,142	\$0	\$0	\$780,872
Accrued Wages and Benefits	134,854	100,886	0	0	32,041	2,966	0	0	0	270,747
Due to Others	0	0	0	0	0	0	73,339	0	0	73,339
Deferred Revenue	1,641,884	1,188,676	404,660	479,224	0	0	0	0	0	3,714,444
Compensated Absences Payable	25,019	4,984	0	0	265,612	33,252	0	0	1,038,045	1,366,912
Ohio Public Works Commission Loan Payable	0	0	0	0	0	0	0	0	154,057	154,057
Promissory Notes Payable	0	0	0	0	0	0	0	0	434,072	434,072
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	10,150,800	10,150,800
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0	0	0	0	0	164,200	164,200
<b>Total Liabilities</b>	<b>2,053,629</b>	<b>1,405,087</b>	<b>404,660</b>	<b>554,723</b>	<b>631,348</b>	<b>44,341</b>	<b>74,481</b>	<b>0</b>	<b>11,941,174</b>	<b>17,109,443</b>
Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	24,848,680	0	24,848,680
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	3,608,190	4,567	0	0	0	3,612,757
Fund Balances:										
Reserved for Encumbrances	107,799	25,023	0	592,657	0	0	83	0	0	725,562
Reserved for Supplies Inventory	181,318	152,921	0	0	0	0	0	0	0	334,239
Reserved for Prepaid Items	46,898	24,480	0	0	0	0	0	0	0	71,378
Reserved for Endowments	0	0	0	0	0	0	1,063	0	0	1,063
Unreserved:										
Undesignated	792,131	2,387,930	528,148	21,768,818	0	0	236,120	0	0	25,713,147
<b>Total Equity and Other Credits</b>	<b>1,128,146</b>	<b>2,590,354</b>	<b>528,148</b>	<b>22,361,475</b>	<b>25,026,388</b>	<b>44,659</b>	<b>237,266</b>	<b>24,848,680</b>	<b>0</b>	<b>76,765,116</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$3,181,775</b>	<b>\$3,995,441</b>	<b>\$932,808</b>	<b>\$22,916,198</b>	<b>\$25,657,736</b>	<b>\$89,000</b>	<b>\$311,747</b>	<b>\$24,848,680</b>	<b>\$11,941,174</b>	<b>\$93,874,559</b>

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, 2002**

	<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	Expensible Trust Funds	
<b>Revenues:</b>						
Taxes	\$2,151,476	\$4,810,889	\$343,460	\$1,114,203	\$0	\$8,420,028
Intergovernmental Revenues	2,085,547	970,589	44,247	510,073	0	3,610,456
Charges for Services	292,804	0	0	0	0	292,804
Licenses, Permits and Fees	230,520	0	0	0	0	230,520
Investment Earnings	156,970	0	0	582,828	(3,887)	735,911
Special Assessments	0	691,143	58,929	0	0	750,072
Fines and Forfeitures	854,723	43,946	0	167,868	0	1,066,537
All Other Revenues	276,396	15,112	276,221	377,192	63,962	1,008,883
Total Revenues	<u>6,048,436</u>	<u>6,531,679</u>	<u>722,857</u>	<u>2,752,164</u>	<u>60,075</u>	<u>16,115,211</u>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	3,262,637	689,265	0	0	17,105	3,969,007
Public Health and Welfare Services	210,066	0	0	0	0	210,066
Leisure Time Activities	659,849	0	0	0	0	659,849
Community Environment	322,117	280,860	0	0	15,764	618,741
Basic Utility Services	467,035	310,990	0	0	0	778,025
Transportation	168,500	903,158	0	0	0	1,071,658
General Government	2,788,173	516,504	138,751	0	20,461	3,463,889
Capital Outlay	0	0	0	3,597,384	0	3,597,384
Debt Service:						
Principal Retirements	0	0	4,624,000	54,514	0	4,678,514
Interest and Fiscal Charges	0	0	517,030	29,573	0	546,603
Total Expenditures	<u>7,878,377</u>	<u>2,700,777</u>	<u>5,279,781</u>	<u>3,681,471</u>	<u>53,330</u>	<u>19,593,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,829,941)	3,830,902	(4,556,924)	(929,307)	6,745	(3,478,525)
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Bonds	0	0	4,110,000	0	0	4,110,000
Operating Transfers In	2,439,337	578,359	651,129	4,083,076	0	7,751,901
Operating Transfers Out	(294,974)	(4,232,633)	0	(3,029,319)	(4,951)	(7,561,877)
Total Other Financing Sources (Uses)	<u>2,144,363</u>	<u>(3,654,274)</u>	<u>4,761,129</u>	<u>1,053,757</u>	<u>(4,951)</u>	<u>4,300,024</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	314,422	176,628	204,205	124,450	1,794	821,499
Fund Balance Beginning of Year	804,190	2,467,679	323,943	22,237,025	234,409	26,067,246
Increase (Decrease) in Inventory Reserve	9,534	(53,953)	0	0	0	(44,419)
Fund Balance End of Year	<u>\$1,128,146</u>	<u>\$2,590,354</u>	<u>\$528,148</u>	<u>\$22,361,475</u>	<u>\$236,203</u>	<u>\$26,844,326</u>

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, 2002**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$2,130,000	\$2,151,378	\$21,378	\$4,956,500	\$4,810,495	(\$146,005)
Intergovernmental Revenues	1,719,700	1,830,489	110,789	944,500	964,446	19,946
Charges for Services	317,600	292,804	(24,796)	0	0	0
Licenses, Permits and Fees	304,250	217,059	(87,191)	0	0	0
Investment Earnings	285,000	159,140	(125,860)	0	0	0
Special Assessments	0	0	0	686,685	691,143	4,458
Fines and Forfeitures	837,000	858,335	21,335	30,500	42,245	11,745
All Other Revenues	291,800	274,539	(17,261)	13,700	19,386	5,686
<b>Total Revenues</b>	<b>5,885,350</b>	<b>5,783,744</b>	<b>(101,606)</b>	<b>6,631,885</b>	<b>6,527,715</b>	<b>(104,170)</b>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	3,409,616	3,390,474	19,142	820,535	664,853	155,682
Public Health and Welfare Services	198,599	188,021	10,578	0	0	0
Leisure Time Activities	674,391	667,583	6,808	0	0	0
Community Environment	334,471	331,844	2,627	287,846	285,613	2,233
Basic Utility Services	476,595	475,489	1,106	336,516	331,390	5,126
Transportation	177,330	171,772	5,558	974,049	912,607	61,442
General Government	2,870,968	2,785,704	85,264	557,817	517,681	40,136
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
<b>Total Expenditures</b>	<b>8,141,970</b>	<b>8,010,887</b>	<b>131,083</b>	<b>2,976,763</b>	<b>2,712,144</b>	<b>264,619</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,256,620)	(2,227,143)	29,477	3,655,122	3,815,571	160,449
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Bonds	0	0	0	0	0	0
Operating Transfers In	2,439,337	2,439,337	0	592,420	578,359	(14,061)
Operating Transfers Out	(295,004)	(294,974)	30	(4,244,000)	(4,232,633)	11,367
<b>Total Other Financing Sources (Uses)</b>	<b>2,144,333</b>	<b>2,144,363</b>	<b>30</b>	<b>(3,651,580)</b>	<b>(3,654,274)</b>	<b>(2,694)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(112,287)	(82,780)	29,507	3,542	161,297	157,755
Fund Balance at Beginning of Year	441,798	441,798	0	1,799,798	1,799,798	0
Prior Year Encumbrances	173,385	173,385	0	51,125	51,125	0
<b>Fund Balance at End of Year</b>	<b>\$502,896</b>	<b>\$532,403</b>	<b>\$29,507</b>	<b>\$1,854,465</b>	<b>\$2,012,220</b>	<b>\$157,755</b>

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, 2002**

	<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$353,500	\$343,460	(\$10,040)	\$1,110,000	\$1,114,104	\$4,104
Intergovernmental Revenues	54,000	44,247	(9,753)	100,000	510,073	410,073
Charges for Services	0	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	835,000	649,302	(185,698)
Special Assessments	58,440	58,929	489	0	0	0
Fines and Forfeitures	0	0	0	163,000	169,440	6,440
All Other Revenues	167,900	276,221	108,321	120,000	384,042	264,042
Total Revenues	633,840	722,857	89,017	2,328,000	2,826,961	498,961
<b>Expenditures:</b>						
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	140,150	138,751	1,399	0	0	0
Capital Outlay	0	0	0	5,161,709	4,926,875	234,834
Debt Service:						
Principal Retirement	4,624,000	4,624,000	0	51,650	54,514	(2,864)
Interest and Fiscal Charges	557,943	544,051	13,892	32,450	29,573	2,877
Total Expenditures	5,322,093	5,306,802	15,291	5,245,809	5,010,962	234,847
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,688,253)	(4,583,945)	104,308	(2,917,809)	(2,184,001)	733,808
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Bonds	4,050,000	4,110,000	60,000	3,978,125	4,083,076	104,951
Operating Transfers In	651,129	651,129	0	(3,029,319)	(3,029,319)	0
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	4,701,129	4,761,129	60,000	948,806	1,053,757	104,951
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	12,876	177,184	164,308	(1,969,003)	(1,130,244)	838,759
Fund Balance at Beginning of Year	275,464	275,464	0	20,481,138	20,481,138	0
Prior Year Encumbrances	7,500	7,500	0	2,286,469	2,286,469	0
Fund Balance at End of Year	\$295,840	\$460,148	\$164,308	\$20,798,604	\$21,637,363	\$838,759

(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, 2002**

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised		Variance:	Revised		Variance:
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$0	\$0	\$0	\$8,550,000	\$8,419,437	(\$130,563)
Intergovernmental Revenues	0	20,548	20,548	2,818,200	3,369,803	551,603
Charges for Services	0	0	0	317,600	292,804	(24,796)
Licenses, Permits and Fees	0	0	0	304,250	217,059	(87,191)
Investment Earnings	0	335	335	1,120,000	808,777	(311,223)
Special Assessments	0	0	0	745,125	750,072	4,947
Fines and Forfeitures	0	0	0	1,030,500	1,070,020	39,520
All Other Revenues	63,000	63,682	682	656,400	1,017,870	361,470
Total Revenues	63,000	84,565	21,565	15,542,075	15,945,842	403,767
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	22,000	17,265	4,735	4,252,151	4,072,592	179,559
Public Health and Welfare Services	0	0	0	198,599	188,021	10,578
Leisure Time Activities	0	0	0	674,391	667,583	6,808
Community Environment	18,000	15,764	2,236	640,317	633,221	7,096
Basic Utility Services	0	0	0	813,111	806,879	6,232
Transportation	0	0	0	1,151,379	1,084,379	67,000
General Government	25,180	24,872	308	3,594,115	3,467,008	127,107
Capital Outlay	0	0	0	5,161,709	4,926,875	234,834
Debt Service:						
Principal Retirement	0	0	0	4,675,650	4,678,514	(2,864)
Interest and Fiscal Charges	0	0	0	590,393	573,624	16,769
Total Expenditures	65,180	57,901	7,279	21,751,815	21,098,696	653,119
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,180)	26,664	28,844	(6,209,740)	(5,152,854)	1,056,886
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Bonds	0	0	0	8,028,125	8,193,076	164,951
Operating Transfers In	0	0	0	653,567	639,506	(14,061)
Operating Transfers Out	(5,000)	(4,951)	49	(4,544,004)	(4,532,558)	11,446
Total Other Financing Sources (Uses)	(5,000)	(4,951)	49	4,137,688	4,300,024	162,336
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,180)	21,713	28,893	(2,072,052)	(852,830)	1,219,222
Fund Balance at Beginning of Year	209,305	209,305	0	23,207,503	23,207,503	0
Prior Year Encumbrances	1,580	1,580	0	2,520,059	2,520,059	0
Fund Balance at End of Year	\$203,705	\$232,598	\$28,893	\$23,655,510	\$24,874,732	\$1,219,222

**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, 2002**

	<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Non- Expendable Trust Fund	
<b><u>Operating Revenues:</u></b>				
Charges for Services	\$5,224,050	\$81,620	\$0	\$5,305,670
Other Operating Revenues	216,534	0	0	216,534
Total Operating Revenues	5,440,584	81,620	0	5,522,204
<b><u>Operating Expenses:</u></b>				
Personal Services	1,315,157	125,675	0	1,440,832
Materials and Supplies	340,173	86,416	0	426,589
Contractual Services	3,494,442	15,233	0	3,509,675
Depreciation	755,337	6,455	0	761,792
Total Operating Expenses	5,905,109	233,779	0	6,138,888
Operating Loss	(464,525)	(152,159)	0	(616,684)
<b><u>Nonoperating Revenues (Expenses):</u></b>				
Investment Earnings	99,337	0	0	99,337
Capital Contributions	170,700	0	0	170,700
Other Nonoperating Revenues	0	1,619	0	1,619
Total Nonoperating Revenues (Expenses)	270,037	1,619	0	271,656
Loss Before Operating Transfers	(194,488)	(150,540)	0	(345,028)
<b><u>Operating Transfers:</u></b>				
Operating Transfers In	81,300	178,490	0	259,790
Operating Transfers Out	(449,814)	0	0	(449,814)
Total Operating Transfers	(368,514)	178,490	0	(190,024)
Net Income (Loss)	(563,002)	27,950	0	(535,052)
<b>Retained Earnings (Accumulated Deficit) /</b>				
Fund Balance at Beginning of Year	4,171,192	(23,383)	1,063	4,148,872
<b>Retained Earnings/</b>				
Fund Balance at End of Year	\$3,608,190	\$4,567	\$1,063	\$3,613,820

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, 2002**

	<u>Proprietary</u>		<u>Fiduciary</u>		
	<u>Fund Types</u>		<u>Fund Type</u>		
	Enterprise	Internal	Non- Expendable	Trust	Totals
	Funds	Service	Trust	Fund	(Memorandum Only)
	Fund	Fund	Fund	Fund	(Memorandum Only)
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$5,490,587	\$83,239	\$0		\$5,573,826
Cash Payments for Goods and Services	(3,738,238)	(121,977)	0		(3,860,215)
Cash Payments to Employees	(1,315,153)	(125,936)	0		(1,441,089)
Net Cash Provided (Used) by Operating Activities	437,196	(164,674)	0		272,522
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers In from Other Funds	81,300	178,490	0		259,790
Transfers Out to Other Funds	(449,814)	0	0		(449,814)
Net Cash Provided (Used) by Noncapital Financing Activities	(368,514)	178,490	0		(190,024)
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Intergovernmental Grants	10,150	0	0		10,150
Acquisition and Construction of Assets	(1,174,903)	(11,649)	0		(1,186,552)
Capital Lease Payment	(30,932)	0	0		(30,932)
Net Cash Used for Capital and Related Financing Activities	(1,195,685)	(11,649)	0		(1,207,334)
<u>Cash Flows from Investing Activities:</u>					
Sale of Investments	121,464	0	0		121,464
Receipts of Interest	134,383	0	0		134,383
Net Cash Provided by Investing Activities	255,847	0	0		255,847
Net Increase (Decrease) in Cash and Cash Equivalents	(871,156)	2,167	0		(868,989)
Cash and Cash Equivalents at Beginning of Year	1,750,138	4,564	1,063		1,755,765
Cash and Cash Equivalents at End of Year	\$878,982	\$6,731	\$1,063		\$886,776
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$878,982	\$6,731	\$310,328		\$1,196,041
Restricted Cash and Cash Equivalents	0	0	1,063		1,063
Less Cash in Expendable Trust Funds	0	0	(236,989)		(236,989)
Less Cash in Agency Funds	0	0	(73,339)		(73,339)
Cash and Cash Equivalents at End of Year	\$878,982	\$6,731	\$1,063		\$886,776

(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, 2002**

	<u>Proprietary</u>		<u>Fiduciary</u>		
	<u>Fund Types</u>		<u>Fund Type</u>		
	Enterprise	Internal	Non- Expendable	Trust	Totals
	Funds	Service	Fund	Fund	(Memorandum Only)
<b>Reconciliation of Operating Loss to Net Cash</b>					
<u>Provided (Used) by Operating Activities:</u>					
Operating Loss	(\$464,525)	(\$152,159)		\$0	(\$616,684)
Adjustments to Reconcile Operating Loss to					
Net Cash Provided (Used) by Operating Activities:					
Miscellaneous Nonoperating Income	0	1,619		0	1,619
Depreciation Expense	755,337	6,455		0	761,792
Changes in Assets and Liabilities:					
Decrease in Accounts Receivable	50,003	0		0	50,003
Increase in Inventory	(23,946)	(11,377)		0	(35,323)
Increase in Prepaid Items	(5,553)	(89)		0	(5,642)
Increase (Decrease) in Accounts Payable	238,540	(8,857)		0	229,683
Decrease in Accrued Wages and Benefits	(9,614)	(1,931)		0	(11,545)
Decrease in Intergovernmental Payables	(112,615)	0		0	(112,615)
Increase in Compensated Absences	9,569	1,665		0	11,234
Total Adjustments	901,721	(12,515)		0	889,206
Net Cash Provided (Used) by Operating Activities	\$437,196	(\$164,674)		\$0	\$272,522

**Schedule of Noncash Investing, Capital and Financing Activities:**

During 2002, the Water and Sewer Funds received \$20,750 and \$139,800 of capital assets respectively, contributed by other funds.

During 2002 the fair value of investments increased by \$449 and \$578 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, 2002**

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**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, 2002 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

***Sylvania Area Joint Recreation District:***

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 2002 from the SAJRD was \$276,221 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, 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. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Income taxes other than those withheld by employers, licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until 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, 2002, but which are not intended to finance 2002 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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 2002.

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 11% over the appropriation ordinance approved in December, 2001. 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)	\$314,422	\$176,628	\$204,205	\$124,450	\$1,794
Increase (Decrease):					
Accrued Revenues at December 31, 2002 received during 2003	(647,607)	(589,546)	(68,000)	(142,995)	(4,452)
Accrued Revenues at December 31, 2001 received during 2002	382,915	585,582	68,000	217,792	28,942
Accrued Expenditures at December 31, 2002 paid during 2003	411,745	216,411	0	75,499	1,142
Accrued Expenditures at December 31, 2001 paid during 2002	(396,953)	(185,266)	(27,021)	(748,374)	(5,418)
2001 Prepays for 2002	31,261	9,566	0	0	0
2002 Prepays for 2003	(46,898)	(24,480)	0	0	0
Outstanding Encumbrances	(131,665)	(27,598)	0	(656,616)	(295)
Budget Basis	<u>(\$82,780)</u>	<u>\$161,297</u>	<u>\$177,184</u>	<u>(\$1,130,244)</u>	<u>\$21,713</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) 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 2002. 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, 2002.

**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
	City Garage 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 2002.

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, 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. Capital contributions received after December 31, 2000 are recorded as revenue in the proprietary funds.

**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**

***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;

- 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).

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

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 Uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

*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 \$11,555,834 and the bank balance was \$11,729,664. The Federal Deposit Insurance Corporation (FDIC) covered \$500,000 of the bank balance. All remaining deposits were classified as Category 2. In addition, the City had \$2,150 cash on hand.

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

**B. Investments**

The City's investments at December 31, 2002 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
United States Treasury Notes	\$0	\$9,105,009	\$0	\$9,105,009	\$9,105,009
Sylvania Township Notes	1,135,000	0	0	1,135,000	1,135,000
Total Categorized Investments	1,135,000	9,105,009	0	10,240,009	10,240,009
<u>Non-Categorized Investments</u>					
STAR Ohio	0	0	7,893,525	7,893,525	7,893,525
Toledo Community Foundation, Inc. (mutual fund)	0	0	22,979	22,979	22,979
Total Non-Categorized Investments	0	0	7,916,504	7,916,504	7,916,504
Total Investments	\$1,135,000	\$9,105,009	\$7,916,504	\$18,156,513	\$18,156,513

**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	\$9,472,338	\$20,240,009
Certificates of Deposit (with maturities of more than 3 months)	10,000,000	(10,000,000)
Investments:		
STAR Ohio	(7,893,525)	7,893,525
Toledo Community Foundation, Inc.	(22,979)	22,979
Per GASB Statement No. 3	\$11,555,834	\$18,156,513

\* Includes Restricted Cash and Cash Equivalents 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 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, 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.

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, 2002 was \$5.10 per \$1,000 of assessed value. The assessed value upon which the 2002 receipts were based was \$384,755,328. This amount constitutes \$362,517,500 in real property assessed value, \$6,132,120 in public utility assessed value and \$16,105,708 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.

**NOTE 4 - TAXES (Continued)**

**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, 2002 consisted of taxes, intergovernmental receivables, special assessments, accounts receivable and interest.

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**NOTE 6 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2002:

Fund	Transfer In	Transfer Out
General Fund	\$2,439,337	\$294,974
Special Revenue Funds:		
Street Construction, Maintenance and Repair Fund	404,488	0
City Permissive Tax Fund	0	223,933
State Highway Improvement Fund	0	42,700
City Services Fund	157,550	0
Income Tax Fund	0	3,966,000
COPS Universal Hiring Grant Fund	15,861	0
Federal Equitable Sharing Account Fund	460	0
Total Special Revenue Funds	<u>578,359</u>	<u>4,232,633</u>
Debt Service Fund:		
General Obligation Debt Service Fund	651,129	0
Capital Projects Funds:		
Capital Improvement Fund	2,954,951	2,939,319
Court Capital Improvement Fund	0	90,000
McCord Road Project Fund	1,550	0
Sylvania Avenue Improvement Project Fund	169,275	0
Monroe Corridor Traffic Signals Fund	957,300	0
Total Capital Projects Funds	<u>4,083,076</u>	<u>3,029,319</u>
Expendable Trust Fund:		
Heritage Center Fund	0	4,951
Enterprise Funds:		
Water Fund	0	146,131
Sewer Fund	0	303,683
Resource Recovery Fund	81,300	0
Total Enterprise Funds	<u>81,300</u>	<u>449,814</u>
Internal Service Fund:		
City Garage Fund	178,490	0
Totals	<u><u>\$8,011,691</u></u>	<u><u>\$8,011,691</u></u>

**NOTE 7 - FIXED ASSETS**

**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	December 31, 2001	Additions	Deletions	December 31, 2002
Land	\$3,240,451	\$0	\$0	\$3,240,451
Land Improvements	74,468	2,301	0	76,769
Buildings	15,440,963	969,686	0	16,410,649
Improvements Other than Buildin	12,520	611,043	0	623,563
Machinery and Equipment	3,866,564	766,480	(135,796)	4,497,248
Totals	\$22,634,966	\$2,349,510	(\$135,796)	\$24,848,680

Schedule of General Fixed Assets at December 31, 2002:

General Fixed Assets	Investment in General Fixed Assets by Source		
Land	\$3,240,451	General Fund	\$21,404,480
Land Improvements	76,769	Special Revenue Funds	2,606,736
Buildings	16,410,649	Capital Projects Funds	127,727
Improvements Other than Buildings	623,563	Proprietary Funds	29,537
Machinery and Equipment	4,497,248	Expendable Trust Funds	680,200
Totals	\$24,848,680	Total	\$24,848,680

**B. Proprietary Fixed Assets**

Summary by Category at December 31, 2002:

Category	Historic Cost	Accumulated Depreciation	Book Value
<b>Enterprise:</b>			
Land	\$18,440	\$0	\$18,440
Buildings and Improvements	567,793	(409,502)	158,291
Improvements Other Than Buildings	31,901,503	(12,207,529)	19,693,974
Machinery and Equipment	1,561,281	(939,353)	621,928
Construction In Progress	350,794	0	350,794
Property, Plant and Equipment	\$34,399,811	(\$13,556,384)	\$20,843,427
<b>Internal Service:</b>			
Machinery and Equipment	\$99,211	(\$70,721)	\$28,490
Property, Plant and Equipment	\$99,211	(\$70,721)	\$28,490

**NOTE 8 – 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. Ohio Public Employees Retirement System (the "Ohio PERS")**

The following information was provided by the Ohio PERS 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 Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS 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 Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 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 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. 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 Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were \$568,570, \$545,581 and \$416,580, respectively, which were equal to the required contributions for each year.

The Ohio PERS 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 Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS 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 Ohio PERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$209,804.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2001. 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 2001 was 8.0%. An annual increase of 4.0% 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 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, 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, 2002, 2001 and 2000 were \$373,543, \$372,018 and \$356,171, 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 health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs 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 2002 covered payroll that was used to fund postemployment health care benefits was \$149,273 representing 7.75% 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, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 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, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

**NOTE 9 – 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, 2002, 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	40,348	\$974,807
Vacation	<u>2,697</u>	<u>63,238</u>
Totals	<u><u>43,045</u></u>	<u><u>\$1,038,045</u></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 10 - LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2002 were as follows:

		<u>Balance December 31, 2001</u>	<u>Issued (Retired)</u>	<u>Balance December 31, 2002</u>
<b>Enterprise Funds:</b>				
Capital Lease		\$30,932	(\$30,932)	\$0
<b>General Long-Term Debt:</b>				
Ohio Public Works Commission Loans:				
0.000% Monroe/Erie Street Improvements	1996	\$70,000	(\$14,000)	\$56,000
0.000% Brint Road Extension	1997	117,669	(19,612)	98,057
Total Ohio Public Works Commission Loans		<u>187,669</u>	<u>(33,612)</u>	<u>154,057</u>
General Obligation Bonds:				
7.000% Maintenance Building Bonds	1986	350,000	(35,000)	315,000
7.000% Recreational Facilities	1986	250,000	(25,000)	225,000
6.375% Capital Improvement	1987	42,840	(7,140)	35,700
6.375% Harroun Road Improvement	1987	240,000	(40,000)	200,000
5.304% Recreational Facility	1993	1,425,000	(85,000)	1,340,000
6.850% Street Improvement	1994	136,500	(42,900)	93,600
4.700% Municipal Building Improvement Recreational Facilities	1997	1,865,000	(185,000)	1,680,000
4.250% Street Improvement	1998	2,269,250	(117,750)	2,151,500
3.000% Senior Center/Field House	2002	0	4,110,000	4,110,000
Total General Obligation Bonds		<u>6,578,590</u>	<u>3,572,210</u>	<u>10,150,800</u>

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

		Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
Special Assessment Bonds:				
(with governmental commitment)				
6.375% Capital Improvement	1987	41,160	(6,860)	34,300
6.850% Street Improvement	1994	38,500	(12,100)	26,400
4.250% Street Improvement	1998	120,750	(17,250)	103,500
Total Special Assessment Bonds (with governmental commitment)		<u>200,410</u>	<u>(36,210)</u>	<u>164,200</u>
Long-Term Notes:				
2.000% Community Facilities Improvement		2,800,000	(2,800,000)	0
3.400% Community Facilities Improvement		1,250,000	(1,250,000)	0
Total Long-Term Notes		<u>4,050,000</u>	<u>(4,050,000)</u>	<u>0</u>
Promissory Notes Payable:				
6.500% Howard Property	1995	454,974	(20,902)	434,072
Total Promissory Notes		<u>454,974</u>	<u>(20,902)</u>	<u>434,072</u>
Total General Long-Term Debt		<u>11,471,643</u>	<u>(568,514)</u>	<u>10,903,129</u>
<b>Other Long-Term Obligations:</b>				
Compensated Absences		<u>1,028,288</u>	<u>9,757</u>	<u>1,038,045</u>
Total Other Long-Term Obligations		<u>1,028,288</u>	<u>9,757</u>	<u>1,038,045</u>
Total General Long-Term Debt and Other Long-Term Obligations		<u>\$12,499,931</u>	<u>(\$558,757)</u>	<u>\$11,941,174</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2002, \$164,200, 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 \$74,906 in the Special Assessment Debt Service Fund at December 31, 2002 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$8,569.

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## NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

**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, 2002, follows:

Years	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2003	\$701,690	\$496,530	\$37,310	\$8,436
2004	721,690	463,669	37,310	6,362
2005	699,890	429,251	24,110	4,288
2006	729,890	296,414	24,110	3,117
2007	759,890	361,667	24,110	1,938
2008-2012	3,032,750	1,291,430	17,250	759
2013-2017	1,960,000	663,373	0	0
2018-2022	1,545,000	223,328	0	0
Totals	<u>\$10,150,800</u>	<u>\$4,225,662</u>	<u>\$164,200</u>	<u>\$24,900</u>

Years	OPWC Loans Payable		Promissory Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$33,612	\$0	\$22,260	\$28,215	\$794,872	\$533,181
2004	33,612	0	23,707	26,768	816,319	496,799
2005	33,612	0	25,248	25,227	782,860	458,766
2006	33,612	0	26,889	23,586	814,501	323,117
2007	19,609	0	28,637	21,838	832,246	385,443
2008-2012	0	0	173,648	78,727	3,223,648	1,370,916
2013-2017	0	0	133,683	17,743	2,093,683	681,116
2018-2022	0	0	0	0	1,545,000	223,328
Totals	<u>\$154,057</u>	<u>\$0</u>	<u>\$434,072</u>	<u>\$222,104</u>	<u>\$10,903,129</u>	<u>\$4,472,666</u>

**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, 2002 was \$880,000. 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.

**NOTE 10 - LONG-TERM OBLIGATIONS** (Continued)**B. Defeasance of General Obligation Debt** (Continued)

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 \$1,405,000 at December 31, 2002 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

**NOTE 11 - 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, 2002 for these enterprise activities is as follows:

	Water	Sewer	Resource Recovery	Total
Operating Revenues	\$3,115,228	\$2,263,856	\$61,500	\$5,440,584
Depreciation	242,309	483,619	29,409	755,337
Operating Income (Loss)	67,058	(422,032)	(109,551)	(464,525)
Operating Transfers In	0	0	81,300	81,300
Operating Transfers Out	146,131	303,683	0	449,814
Net Loss	(9,222)	(525,529)	(28,251)	(563,002)
Current Capital Contributions	25,825	144,875	0	170,700
Property, Plant and Equipment:				
Additions	680,931	463,865	0	1,144,796
Deletions	23,279	0	32,117	55,396
Assets	8,954,917	16,464,531	238,288	25,657,736
Net Working Capital	2,002,445	2,396,072	50,056	4,448,573
Total Equity	8,513,988	16,277,780	234,620	25,026,388

**NOTE 12 - 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 13 - CONSTRUCTION COMMITMENTS**

As of December 31, 2002, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
South Main Street Bridge Project	\$2,682	January 2003
Senior Center and Recreation Center	55,194	January 2003
Brinthaven/Orvieto Improvements	26,627	March 2003
Erie Street Improvements	103,638	March 2003
Storm Water Management Program	16,946	March 2003
ADA Ramp Renovations	59,570	June 2003
River Center Park	7,814	September 2003
Maplewood/School Drive Project	21,439	October 2003
Total	\$293,910	

**NOTE 14 - CONTRIBUTED CAPITAL**

During 2002, there were no changes to contributed capital reported by the City:

	<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 12/31/02	\$5,798,894	\$15,413,015	\$206,289	\$21,418,198	\$40,092

**NOTE 15 - 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, 2002**

	Balance December 31, 2001	Additions	Deductions	Balance December 31, 2002
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$44,318	\$2,445,884	(\$2,416,863)	\$73,339
Total Assets	<u>\$44,318</u>	<u>\$2,445,884</u>	<u>(\$2,416,863)</u>	<u>\$73,339</u>
Liabilities:				
Due to Others	\$44,318	\$2,445,884	(\$2,416,863)	\$73,339
Total Liabilities	<u>\$44,318</u>	<u>\$2,445,884</u>	<u>(\$2,416,863)</u>	<u>\$73,339</u>

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002, and have issued our report thereon dated September 9, 2004. 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 the City'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 2002-001.

**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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City of Sylvania in a separate letter dated September 9, 2004.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 9, 2004

**CITY OF SYLVANIA  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

Ohio Revised Code § 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above: including: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.
  
2. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

Fiscal officers may prepare so-called “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The City did not properly certify the availability of funds prior to purchase commitment for 27 percent of expenditures tested in 2002. There were several “blanket “purchase orders identified which were either outstanding beyond the end of the fiscal year or exceeded 3 months. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend that the Finance Director certify that funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification prior to the City incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**CITY OF SYLVANIA  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-20148-001	Revised Code § 5705.41(D), Certification procedures not being followed per Ohio Revised Code	No	Not corrected. Reissued as finding 2002-001.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
OCTOBER 18, 2004**