



**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003-2002



**Auditor of State
Betty Montgomery**

VILLAGE OF SILVER LAKE
SUMMIT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Silver Lake, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 4, the Village restated certain fund balances effective January 1, 2002 as a result of eliminating the Expendable Trust Income Tax Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, 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

June 25, 2004

VILLAGE OF SILVER LAKE
SUMMIT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,366,088				\$21,145	\$1,387,233
Special Assessments			\$25,802	\$19,391		45,193
Intergovernmental Receipts	454,485	\$131,226			3,024	588,735
Charges for Services	40,987					40,987
Fines, Licenses, and Permits	51,004	1,058				52,062
Earnings on Investments	32,885	1,299			1,100	35,284
Miscellaneous	8,549					8,549
Total Cash Receipts	1,953,998	133,583	25,802	19,391	25,269	2,158,043
Cash Disbursements:						
Current:						
Security of Persons and Property	945,168				21,224	966,392
Public Health Services	26,329					26,329
Leisure Time Activities	68,502					68,502
Community Environment	7,108					7,108
Transportation	438,599	68,653				507,252
General Government	477,701		1,020		5,804	484,525
Debt Service:						
Principal Payments			20,000			20,000
Interest Payments			9,360			9,360
Capital Outlay	28,416	45,026		393,757		467,199
Total Cash Disbursements	1,991,823	113,679	30,380	393,757	27,028	2,556,667
Total Receipts Over/(Under) Disbursements	(37,825)	19,904	(4,578)	(374,366)	(1,759)	(398,624)
Other Financing Receipts and (Disbursements):						
Loan Proceeds				319,836		319,836
Transfers-In		128,036		211,205	60	339,301
Transfers-Out	(351,507)					(351,507)
Other Sources / (Uses)	(77)		707			630
Total Other Financing Receipts/(Disbursements)	(351,584)	128,036	707	531,041	60	308,260
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(389,409)	147,940	(3,871)	156,675	(1,699)	(90,364)
Fund Cash Balances, January 1	1,254,372	99,880	56,599	577,260	6,868	1,994,979
Fund Cash Balances, December 31	\$864,963	\$247,820	\$52,728	\$733,935	\$5,169	\$1,904,615
Reserves for Encumbrances, December 31	\$17,544	\$254	\$0	\$129,548	\$0	\$147,346

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

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$844,612		\$844,612
Miscellaneous	700	\$225	925
Total Operating Cash Receipts	845,312	225	845,537
Operating Cash Disbursements:			
Personal Services	241,119		241,119
Travel Transportation	399		399
Contractual Services	360,282		360,282
Supplies and Materials	66,751		66,751
Capital Outlay	100,028		100,028
Total Operating Cash Disbursements	768,579	0	768,579
Operating Income/(Loss)	76,733	225	76,958
Non-Operating Cash Disbursements:			
Debt Service - Principal	71,634		71,634
Debt Service Interest	52,864		52,864
Other Non-Operating Cash Disbursements	7,437		7,437
Total Non-Operating Cash Disbursements	131,935	0	131,935
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(55,202)	225	(54,977)
Transfers-In	12,206		12,206
Other Uses		(193)	(193)
Net Receipts Over/(Under) Disbursements	(42,996)	32	(42,964)
Fund Cash Balances, January 1	1,117,433	17,884	1,135,317
Fund Cash Balances, December 31	\$1,074,437	\$17,916	\$1,092,353
Reserve for Encumbrances, December 31	\$98,848	\$0	\$98,848

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

VILLAGE OF SILVER LAKE
SUMMIT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,244,462				\$19,580	\$1,264,042
Special Assessments			\$25,959	\$54,269		80,228
Intergovernmental Receipts	542,295	\$65,082		18,178	2,807	628,362
Charges for Services	37,901					37,901
Fines, Licenses, and Permits	42,706	50				42,756
Earnings on Investments	58,375	1,824			14,321	74,520
Miscellaneous	22,431			12		22,443
Total Cash Receipts	1,948,170	66,956	25,959	72,459	36,708	2,150,252
Cash Disbursements:						
Current:						
Security of Persons and Property	902,343				26,000	928,343
Public Health Services	26,222					26,222
Leisure Time Activities	89,650					89,650
Community Environment	8,079					8,079
Transportation	352,247	60,711				412,958
General Government	367,937		1,033		11,267	380,237
Debt Service:						
Principal Payments			15,000			15,000
Interest Payments			10,132			10,132
Capital Outlay	27,656			755,949		783,605
Total Cash Disbursements	1,774,134	60,711	26,165	755,949	37,267	2,654,226
Total Receipts Over/(Under) Disbursements	174,036	6,245	(206)	(683,490)	(559)	(503,974)
Other Financing Receipts and (Disbursements):						
Loan Proceeds				344,584		344,584
Transfers-In				349,474	91	349,565
Transfers-Out	(347,703)					(347,703)
Advances-Out				(22,500)		(22,500)
Other Sources / (Uses)	(360)		1,458			1,098
Total Other Financing Receipts/(Disbursements)	(348,063)	0	1,458	671,558	91	325,044
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(174,027)	6,245	1,252	(11,932)	(468)	(178,930)
Fund Cash Balances, January 1 (Restated - See Note 4)	1,428,399	93,635	55,347	589,192	7,336	2,173,909
Fund Cash Balances, December 31	<u>\$1,254,372</u>	<u>\$99,880</u>	<u>\$56,599</u>	<u>\$577,260</u>	<u>\$6,868</u>	<u>\$1,994,979</u>
Reserves for Encumbrances, December 31	\$41,687	\$729	\$0	\$3,973	\$0	\$46,389

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

VILLAGE OF SILVER LAKE
SUMMIT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$891,267		\$891,267
Miscellaneous	525	\$340	865
Total Operating Cash Receipts	<u>891,792</u>	<u>340</u>	<u>892,132</u>
Operating Cash Disbursements:			
Personal Services	228,423		228,423
Travel Transportation	316		316
Contractual Services	394,426		394,426
Supplies and Materials	46,453		46,453
Capital Outlay	173,421		173,421
Total Operating Cash Disbursements	<u>843,039</u>	<u>0</u>	<u>843,039</u>
Operating Income/(Loss)	<u>48,753</u>	<u>340</u>	<u>49,093</u>
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	29,492		29,492
Non-Operating Cash Disbursements:			
Debt Service - Principal	65,150		65,150
Debt Service Interest	39,874		39,874
Other Non-Operating Cash Disbursements	4,948		4,948
Total Non-Operating Cash Disbursements	<u>109,972</u>	<u>0</u>	<u>109,972</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(31,727)	340	(31,387)
Transfers-In	20,140		20,140
Transfers-Out	(22,002)		(22,002)
Advances-In	22,500		22,500
Other Uses		(300)	(300)
Net Receipts Over/(Under) Disbursements	(11,089)	40	(11,049)
Fund Cash Balances, January 1	<u>1,128,522</u>	<u>17,844</u>	<u>1,146,366</u>
Fund Cash Balances, December 31	<u>\$1,117,433</u>	<u>\$17,884</u>	<u>\$1,135,317</u>
Reserve for Encumbrances, December 31	<u>\$100,790</u>	<u>\$0</u>	<u>\$100,790</u>

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

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Silver Lake, Summit County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council. The Village provides general government services, including water and sewer utilities, park operations, and police services. The Village contracts with the City of Stow to provide fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village invests in Money Market Mutual funds, STAR Ohio and Government Bonds. Money Market Mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund. The Government Bonds are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund and to record the collection of self-assessed taxes, the cost of collecting such taxes and the distribution to various other funds in accordance with Village ordinances.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Accrued Liabilities Fund - This fund receives monies annually from the General Fund on approval by Council (if needed) to fund accrued liabilities paid out to retiring employees for sick time, holidays and vacation.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Various Purpose Bond Retirement Fund - This fund is used to accumulate resources for the payment of principal and interest on the Village's special assessment bonds.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

General Capital Improvement Fund - This fund receives portion of income tax revenue to help pay for capital improvements of the Village.

Issue 2 Millboro/Bellaire Fund - This fund receives Issue II monies from the Ohio Water Development Authority and the Ohio Public Works Commission which is used for the sanitary sewer project.

Issue 2 Overlook/Parkwood/Vahhoe/Circle Fund - This fund receives Issue II monies from the Ohio Water Development Authority and the Ohio Public Works Commission which is used for the sanitary sewer project.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Silver Lake School Playground Fund – This fund is used for the collection of donations to be used for the construction of the school playground.

Park Board Memorial Fund - This fund is used to account for donations for maintenance of memorials.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$62,217	\$80,106
STAR Ohio	1,129,266	1,116,452
Mutual fund	1,304,485	1,933,739
Government Bond	501,000	0
Total deposits and investments	\$2,996,968	\$3,130,297

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and Mutual funds are not evidenced by securities that exist in physical or book-entry form. Government bonds are held in book entry form by the financial institution's securities department in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 was as follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,454,379	\$1,953,998	(\$500,381)
Special Revenue	125,200	261,619	136,419
Debt Service	29,500	26,509	(2,991)
Capital Projects	720,000	550,432	(169,568)
Enterprise	1,180,550	857,518	(323,032)
Fiduciary	26,955	25,554	(1,401)
Total	\$4,536,584	\$3,675,630	(\$860,954)

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,995,966	\$2,360,951	\$635,015
Special Revenue	144,284	113,933	30,351
Debt Service	31,360	30,380	980
Capital Projects	782,723	523,305	259,418
Enterprise	1,706,583	999,362	707,221
Fiduciary	32,020	27,221	4,799
Total	<u>\$5,692,936</u>	<u>\$4,055,152</u>	<u>\$1,637,784</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,463,014	\$1,948,170	(\$514,844)
Special Revenue	56,500	66,956	10,456
Debt Service	3,692	27,417	23,725
Capital Projects	749,408	766,517	17,109
Enterprise	1,015,550	963,924	(51,626)
Fiduciary	50,559	37,139	(13,420)
Total	<u>\$4,338,723</u>	<u>\$3,810,123</u>	<u>(\$528,600)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,957,086	\$2,163,884	\$1,793,202
Special Revenue	82,404	61,440	20,964
Debt Service	30,825	26,165	4,660
Capital Projects	1,126,614	782,422	344,192
Enterprise	1,622,521	1,075,803	546,718
Fiduciary	53,800	37,567	16,233
Total	<u>\$6,873,250</u>	<u>\$4,147,281</u>	<u>\$2,725,969</u>

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. FUND BALANCE RESTATEMENT

Effective January 1, 2002, the Village changed the fund type used to account for income tax activity to better comply with the basis of accounting described in Note 1. The General Fund and Expendable Trust Fund balances have been restated from amounts previously reported to record the Income Tax Fund activity within the General Fund. As a result of the restatement, the General Fund beginning balance on January 1, 2002, increased \$1,261,455 eliminating the Income Tax Expendable Trust Fund.

	General Fund	Expendable Trust Fund
Ending Fund Balance, as previously reported, December 31, 2001	\$166,944	\$1,268,791
Income Tax Fund Balance, Restated Fund Balance, January 1, 2002	1,261,455	(1,261,455)
	\$1,428,399	\$7,336

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 2% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$677,852	0.00%
Ohio Water Development Authority	583,874	3.15% - 3.50%
Special Assessment Bonds	140,000	4.35 - 6.15%
Summit County Sewer Bond	595,185	6.10%
Total	<u>\$1,996,911</u>	

The Village has entered into contractual agreements for construction loans for sanitary sewer projects from the Ohio Public Works Commission (OPWC). The Village has received \$778,325 on these projects through December 31, 2003. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. These loans will not have repayment schedules until the loans are finalized and, therefore, are not included in the amortization schedule below.

The Village has also entered into contractual agreements for construction loans for sanitary sewer projects from the Ohio Water Development Authority (OWDA). The Village has received \$652,989 on these projects through December 31, 2003. Under the terms of the agreements, the OWDA will reimburse, advance or directly pay the construction costs of the approved projects. The OWDA will capitalize administrative costs and construction interest and add them to the total amount of each loan. These loans will not have repayment schedules until the loans are finalized and, therefore, are not included in the amortization schedule below.

The special assessment bonds will be repaid in annual installments over 20 years.

The Summit County Sewer Bond relates to the Village's pro rata share of the Mudbrook Trunk Sewer System project for which Summit County issued general obligation bonds. The Village is one of five entities sharing in the debt for this project. The Village will pay its share of the debt in annual installments over 20 years.

**VILLAGE OF SILVER LAKE
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

	Special Assessment Bonds	Summit County Sewer Bond
Year ending December 31:		
2004	\$28,310	\$53,217
2005	27,240	53,188
2006	11,150	53,117
2007	15,843	53,160
2008	15,228	53,214
2009-2013	66,913	240,932
2014-2018	27,153	279,976
2019-2021	0	171,786
Total	\$191,837	\$958,590

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of OPERS participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance, dental, and vision care to full-time employees through a private carrier.

10. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Silver Lake, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 25, 2004 which disclosed the restatement of certain fund balances related to elimination of the Expendable Trust Income Tax Fund. 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 Village'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 25, 2004.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 25, 2004.

111 Second St., NW / Fourth Floor / Canton, OH 44702
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Village of Silver Lake
Summit County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Village 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

June 25, 2004



**Auditor of State
Betty Montgomery**

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VILLAGE OF SILVER LAKE

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2004**