

City of Silverton, Ohio

Basic Financial Statements



For the Year Ended

December 31, 2009



Dave Yost • Auditor of State

Members of Council
City of Silverton
6860 Plainfield Road
Cincinnati, Ohio 45236

We have reviewed the *Independent Auditor's Report* of the City of Silverton, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 19, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Silverton (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2009, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
June 28, 2011

City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)

Management's Discussion and Analysis (MD&A) of the City of Silverton's financial performance provides an overview of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the financial statements and notes to the financial statements to enhance their understanding of the City's overall financial performance.

Financial Highlights

- In total, net assets increased by \$292,964.
- General revenues accounted for \$2,779,809 or 78% of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$792,247 or 22% percent of total governmental revenues of \$3,572,056.
- The City had \$3,279,092 in expenses; only 22% of these expenses were offset by program specific charges for services and sales, and grants and contributions.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Silverton's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The individual fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column. These statements tell how services were financed in the short-term, as well as the amount of reserves available for future spending.

Government-Wide Financial Statements

One of the most important questions asked about the City is "How did we do financially during 2009?" The Statement of Net Assets and the Statements of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the City Manager and Finance Director, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The focus of the fund financial statements in this report is on the City's most significant funds, and therefore only the major funds are presented in separate columns. The City has three major funds: the General Fund, the Municipal Civic Center Fund and the Hampton Aldon Improvement Fund.

Governmental Funds – The City's operations and capital improvements are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – The City's fiduciary fund consists of three agency funds. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

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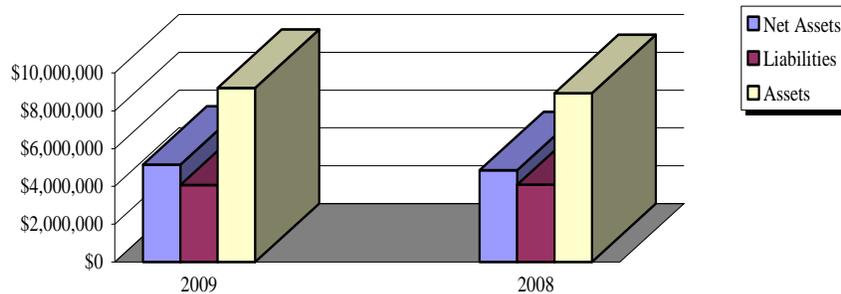
City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)

The City as a Whole

As stated previously, the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2009 compared to 2008:

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets:		
Current and Other Assets	\$4,419,799	\$4,717,348
Capital Assets	4,795,512	4,218,170
Total Assets	9,215,311	8,935,518
Liabilities:		
Long-Term Liabilities	2,961,697	2,160,635
Other Liabilities	1,107,849	1,922,082
Total Liabilities	4,069,546	4,082,717
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,213,994	1,615,127
Restricted	1,236,707	488,890
Unrestricted	1,695,064	2,748,784
Total Net Assets	\$5,145,765	\$4,852,801



City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)

As displayed in Table 1 total net assets of the City as a whole, increased by \$292,964 from total net assets reported at December 31, 2009. Capital Assets increased due to the addition of two road projects, the East Avenue Road Project and the Hampton Road/Aldon Avenue Project and the completion of the Plainfield Montgomery Intersection and Belkenton Rd./Grace Avenue projects. Total Liabilities remained relatively consistent in 2009 as compared to 2008.

In order to further understand what makes up the changes in net assets for the current year, the following table 2 gives readers further details regarding the results of governmental activities for 2009 and 2008:

Table 2
Changes in Net Assets

	Governmental Activities	
	2009	2008
Program Revenues:		
Charges for Services	\$379,075	\$291,338
Operating Grants and Contributions	335,009	268,934
Capital Grants and Contributions	78,163	108,267
Total Program Revenues	792,247	668,539
General Revenues:		
Income Taxes	1,820,576	1,246,905
Property Taxes	645,193	575,374
Grants and Entitlements	269,691	333,791
Investment Earnings	12,180	76,932
Other Revenues	32,169	241,118
Total General Revenues	2,779,809	2,474,120
Total Revenues	3,572,056	3,142,659
Program Expenses:		
General Government	814,167	1,033,345
Public Safety	1,608,498	1,423,242
Leisure Time Activities	15,475	21,359
Community Environment	455,243	342,706
Transportation and Street Repair	345,213	373,809
Public Health and Welfare	5,027	4,892
Interest and Fiscal Charges	35,469	14,657
Total Program Expenses	3,279,092	3,214,010
Change in Net Assets	292,964	(71,351)
Net Assets Beginning of Year	4,852,801	4,924,152
Net Assets End of Year	\$5,145,765	\$4,852,801

City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)

Total revenues increased mainly due to an increase in income tax revenue, which was mainly due to an increase in the amount estimated for income tax receivable in 2009 as compared to 2008. Total expenses remained relatively consistent in 2009 as compared to 2008.

Governmental Activities

The 1.25% income tax is the largest source of revenue for the General Fund and the City of Silverton. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to file a declaration of estimated tax annually and remit quarterly payments.

Income tax proceeds are to be used to fund government operations, pay debt service, and fund capital improvements.

The following table indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by income and property tax revenues and unrestricted revenue.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General Government	\$814,167	\$1,033,345	(\$685,328)	(\$943,534)
Public Safety	1,608,498	1,423,242	(1,603,488)	(1,420,830)
Leisure Time Activities	15,475	21,359	(12,245)	(18,279)
Community Environment	455,243	342,706	(189,498)	(124,282)
Transportation and Street Repair	345,213	373,809	44,210	(18,997)
Public Health and Welfare	5,027	4,892	(5,027)	(4,892)
Interest and Fiscal Charges	35,469	14,657	(35,469)	(14,657)
Total Expenses	<u>\$3,279,092</u>	<u>\$3,214,010</u>	<u>(\$2,486,845)</u>	<u>(\$2,545,471)</u>

When looking at the sources of income to support governmental activities, it should be noted that charges for services are only 11 percent of total revenues. Revenues provided by sources other than City residents in the form of operating and capital grants and contributions comprise another 12 percent. The remaining revenues are primarily generated locally through property and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed.

**City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)**

The City's Funds

The City has three major governmental funds: the General Fund, the Municipal Civic Center Fund and the Hampton Aldon Improvement Fund. Assets of the General Fund comprised \$2,688,138 (61%), the Municipal Civic Center Fund comprised \$638,943 (14%) and the Hampton Aldon Road Improvement Fund comprised of \$58,909 (1%) of the total \$4,434,799 governmental funds assets.

General Fund: Fund balance at December 31, 2009 was \$852,985, a decrease in fund balance of \$129,260 from 2008. The decrease in fund balance was due mainly to an increase in general government and community environment expenditures.

Municipal Civic Center Fund: Fund balance at December 31, 2009 was \$616,198. The fund balance increased due to a transfer in of \$916,965.

Hampton Aldon Improvement Fund: Fund balance at December 31, 2009 was (\$297,774). The negative fund balance was mainly due to the City starting to spend money on the Hampton Road/Aldon Avenue road improvement project.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements, and encumbrances. The City's budget is adopted at the fund level by City Council in the form of an appropriation resolution.

Final General Fund budget basis revenues were \$3,276,142 and actual General Fund budget basis revenues was \$2,891,800. The difference between actual budget basis revenues and final budgeted revenues was \$384,342 due to the City falling short of income tax revenue expectations, which was mainly due to the recession.

The increase in appropriations from the original to the final budget was mainly a result of additional transfers made from the General Fund during 2009 that was not budgeted in the beginning of the year. The difference between actual budget basis expenditures and final budgeted expenditures was \$315,719, which was mainly due to overestimating total transfers out.

City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)

Capital Assets and Debt Administration

At December 31, 2009, the City had invested in a broad range of capital assets, including land, land held for resale, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles and infrastructure.

Capital Assets at Year-End
(Net of Depreciation)

Table 4
Capital Assets

	Governmental Activities	
	2009	2008
Land	\$480,034	\$465,377
Land Held for Resale	104,650	95,150
Construction in Progress	610,456	762,856
Land Improvements	40,600	40,600
Buildings and Improvements	940,414	940,414
Furniture, Fixtures, and Equipment	261,348	280,100
Vehicles	537,501	517,383
Infrastructure	3,521,194	2,440,262
Accumulated Depreciation	(1,700,685)	(1,323,972)
Total Net Capital Assets	\$4,795,512	\$4,218,170

Net Capital Assets increased by \$577,342. The largest increase was for various road improvements including the completion of Plainfield Montgomery Intersection and Belkenton Rd./Grace Avenue projects. Road improvement construction also took place for Hampton Rd./Alden Avenue and East Avenue as well as the engineering design costs incurred to repave a segment of Montgomery Road during year 2010. The City had already committed to these projects and had secured grant and zero-interest debt funding. Hampton Road/Aldon Avenue construction was 90% funded by an OPWC grant (with a 10% City match). East Avenue construction was 100% funded by a zero-interest rate OPWC loan. The 2010 Montgomery Road project will be funded by a combination of the Ohio Department of Transportation and CDBG grants, as well as City funding. Otherwise, major capital expenditures were held to a minimum given the recessionary economy.

City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)

Assets held for resale includes two vacant residential lots that the City owns but is holding for resale at a future date.

See Note 8 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2009, the City of Silverton had the following debt outstanding:

Table 5
Outstanding Debt at Year End

		<u>2009</u>	<u>2008</u>
Governmental Activities:			
Short-Term Debt:			
Building Acquisition Note 2008	2.90%	\$0	\$900,000
Long-Term Debt:			
2003 Various Purpose Refunding Bonds	3.69%	\$105,300	\$155,200
Building Acquisition Note 2009	3.55%	900,000	0
OPWC Loans:			
Fire Hydrants	0.00%	157,700	163,138
Stoll Lane	0.00%	352,982	364,369
East Gatewood Lane	0.00%	127,025	131,123
Sampson Lane	0.00%	224,845	231,269
Plainfield Road South	0.00%	456,815	469,504
Belkenton and Grace Avenue	0.00%	171,411	162,106
East Avenue	0.00%	64,650	0
Capital Lease	0.00%	<u>20,790</u>	<u>26,334</u>
Total Long-Term Debt		<u><u>\$2,581,518</u></u>	<u><u>\$1,703,043</u></u>

See Notes 12, 13 and 14 for more details about the City's debt obligations.

**City of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2009
(Unaudited)**

Current Financial Challenges and Initiatives

Like many other governments, the City is facing significant financial pressures in the form of flat-lined or declining revenues and increasing operating expenses. The City is focusing on collections of delinquent income taxes and on restricting operating expenses and deferring capital expenditures. This includes postponing infrastructure projects, and the planned remodeling of the Hunington bank building purchased in 2008. The City intends to move its municipal center to the bank building. However, until conditions change, a full remodeling has been deferred.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Thomas R. Peterson CPA, Finance Director or Steve Husemann, Interim City Manager, City of Silverton, 6860 Plainfield Road, Cincinnati, Ohio 45236.

City of Silverton, Ohio
Statement of Net Assets
December 31, 2009

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$2,302,751
Restricted Cash and Investments	25,199
Receivables:	
Property and other local taxes	624,030
Income taxes	1,092,223
Accounts	92,871
Interest	3,057
Intergovernmental	239,997
Prepaid Items	20,985
Inventory	18,686
Nondepreciable Capital Assets	1,195,140
Depreciable Capital Assets, Net	<u>3,600,372</u>
Total Assets	<u>9,215,311</u>
Liabilities:	
Accounts Payable	54,257
Accrued Wages and Benefits	45,266
Retainage Payable	25,199
Accrued Interest Payable	25,660
Unearned Revenue	555,321
Contracts Payable	402,146
Long-Term Liabilities:	
Due Within One Year	1,160,699
Due In More Than One Year	<u>1,800,998</u>
Total Liabilities	<u>4,069,546</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,213,994
Restricted for:	
Capital Projects	790,557
Other Purposes	446,150
Unrestricted	<u>1,695,064</u>
Total Net Assets	<u><u>\$5,145,765</u></u>

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$814,167	\$107,030	\$21,809	\$0	(\$685,328)
Public Safety	1,608,498	3,070	1,940	0	(1,603,488)
Leisure Time Activities	15,475	3,230	0	0	(12,245)
Community Environment	455,243	265,745	0	0	(189,498)
Transportation and Street Repair	345,213	0	311,260	78,163	44,210
Public Health and Welfare	5,027	0	0	0	(5,027)
Interest and Fiscal Charges	35,469	0	0	0	(35,469)
Total Governmental Activities	\$3,279,092	\$379,075	\$335,009	\$78,163	(2,486,845)
General Revenues:					
Income Taxes					1,820,576
Property Taxes Levied for:					
General Purposes					645,193
Grants and Entitlements not Restricted to Specific Programs					269,691
Unrestricted Contributions					663
Investment Earnings					12,180
Other Revenues					31,506
Total General Revenues					2,779,809
Change in Net Assets					292,964
Net Assets Beginning of Year					4,852,801
Net Assets End of Year					\$5,145,765

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
Balance Sheet
Governmental Funds
December 31, 2009

	General	Municipal Civic Center	Hampton Aldon Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$714,087	\$638,943	\$40,369	\$909,352	\$2,302,751
Restricted Cash and Investments	0	0	18,540	6,659	25,199
Receivables:					
Property and other local taxes	624,030	0	0	0	624,030
Income taxes	1,092,223	0	0	0	1,092,223
Accounts	92,291	0	0	580	92,871
Interest	3,057	0	0	0	3,057
Intergovernmental	127,837	0	0	112,160	239,997
Interfund	15,000	0	0	0	15,000
Prepaid Items	19,613	0	0	1,372	20,985
Inventory	0	0	0	18,686	18,686
Total Assets	2,688,138	638,943	58,909	1,048,809	4,434,799
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	47,472	0	0	6,785	54,257
Accrued Wages and Benefits	41,319	0	0	3,947	45,266
Retainage Payable	0	0	18,540	6,659	25,199
Accrued Interest Payable	0	22,745	0	0	22,745
Interfund Payable	0	0	0	15,000	15,000
Deferred Revenue	1,746,362	0	0	94,784	1,841,146
Contracts Payable	0	0	338,143	64,003	402,146
Total Liabilities	1,835,153	22,745	356,683	191,178	2,405,759
Fund Balances:					
Reserved for Encumbrances	0	0	96,157	0	96,157
Reserved for Inventory	0	0	0	18,686	18,686
Reserved for Prepaid Items	19,613	0	0	1,372	20,985
Unreserved, Undesignated, Reported in:					
General Fund	833,372	0	0	0	833,372
Special Revenue Funds	0	0	0	364,833	364,833
Debt Service Funds	0	0	0	607	607
Capital Projects Funds	0	616,198	(393,931)	472,133	694,400
Total Fund Balances	852,985	616,198	(297,774)	857,631	2,029,040
Total Liabilities and Fund Balances	\$2,688,138	\$638,943	\$58,909	\$1,048,809	\$4,434,799

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 December 31, 2009

Total Governmental Fund Balance		\$2,029,040
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,795,512
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	\$961,657	
Delinquent Property Taxes	68,709	
Interest	2,185	
Intergovernmental	187,161	
Other	66,113	
		1,285,825
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(2,915)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(380,179)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(2,581,518)</u>
Net Assets of Governmental Activities		<u><u>\$5,145,765</u></u>

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2009

	General	Municipal Civic Center	Hampton Aldon Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Local Taxes	\$649,465	\$0	\$0	\$0	\$649,465
Income Taxes	1,548,159	0	0	0	1,548,159
Fines, Licenses & Permits	75,658	0	0	13,823	89,481
Charges for Services	287,773	0	0	0	287,773
Investment Earnings	8,598	0	0	1,397	9,995
Intergovernmental	350,519	0	0	560,607	911,126
Other Revenues	9,312	50	300	9,426	19,088
Total Revenues	2,929,484	50	300	585,253	3,515,087
Expenditures:					
Current:					
General Government	835,090	0	0	4,049	839,139
Public Safety	1,446,386	0	0	2,464	1,448,850
Leisure Time Activities	13,672	0	0	0	13,672
Community Environment	431,145	0	0	5,218	436,363
Transportation and Street Repair	0	0	0	310,213	310,213
Public Health and Welfare	5,027	0	0	0	5,027
Capital Outlay	0	0	441,874	414,803	856,677
Debt Service:					
Principal Retirement	5,544	0	0	89,936	95,480
Interest and Fiscal Charges	0	31,228	0	5,625	36,853
Total Expenditures	2,736,864	31,228	441,874	832,308	4,042,274
Excess of Revenues Over (Under) Expenditures	192,620	(31,178)	(441,574)	(247,055)	(527,187)
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	0	0	973,955	973,955
Transfers In	0	916,965	143,800	199,589	1,260,354
Transfers (Out)	(321,880)	0	0	(938,474)	(1,260,354)
Total Other Financing Sources (Uses)	(321,880)	916,965	143,800	235,070	973,955
Net Change in Fund Balance	(129,260)	885,787	(297,774)	(11,985)	446,768
Fund Balance Beginning of Year	982,245	(269,589)	0	858,053	1,570,709
Change in Reserve for Inventory	0	0	0	11,563	11,563
Fund Balance End of Year	\$852,985	\$616,198	(\$297,774)	\$857,631	\$2,029,040

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2009

Net Change in Fund Balance - Total Governmental Funds \$446,768

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$980,799	
Depreciation Expense	<u>(403,457)</u>	
		577,342

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes	\$272,417	
Delinquent Property Taxes	(23,851)	
Interest	2,185	
Intergovernmental	(228,263)	
Accounts Receivable	<u>34,481</u>	
		56,969

Repayment of bond, note, and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 95,480

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 1,384

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	\$77,413	
Change in Inventory	<u>11,563</u>	
		88,976

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (973,955)

Change in Net Assets of Governmental Activities \$292,964

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Local Taxes	\$720,063	\$573,419	\$649,465	\$76,046
Income Taxes	1,679,789	1,960,000	1,515,096	(444,904)
Fines, Licenses & Permits	81,710	73,212	73,699	487
Charges for Services	326,995	304,119	294,935	(9,184)
Investment Earnings	16,082	50,000	14,505	(35,495)
Intergovernmental	371,180	312,392	334,788	22,396
Other Revenues	10,324	3,000	9,312	6,312
Total Revenues	3,206,143	3,276,142	2,891,800	(384,342)
Expenditures:				
Current:				
General Government	919,903	844,393	872,089	(27,696)
Public Safety	1,545,911	1,425,423	1,465,559	(40,136)
Leisure Time Activities	14,422	19,364	13,672	5,692
Community Environment	455,642	489,318	431,959	57,359
Public Health and Welfare	5,303	5,027	5,027	0
Debt Service:				
Principal Retirement	5,848	5,544	5,544	0
Total Expenditures	2,947,029	2,789,069	2,793,850	(4,781)
Excess of Revenues Over (Under) Expenditures	259,114	487,073	97,950	(389,123)
Other financing sources (uses):				
Advances (Out)	(15,822)	(15,000)	(15,000)	0
Transfers (Out)	(339,528)	(642,380)	(321,880)	320,500
Total Other Financing Sources (Uses)	(355,350)	(657,380)	(336,880)	320,500
Net Change in Fund Balance	(96,236)	(170,307)	(238,930)	(68,623)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	930,292	930,292	930,292	0
Fund Balance End of Year	\$834,056	\$759,985	\$691,362	(\$68,623)

See accompanying notes to the basic financial statements.

City of Silverton, Ohio
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2009

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$28,407</u>
Total Assets	<u>28,407</u>
Liabilities:	
Due to Others	<u>28,407</u>
Total Liabilities	<u>\$28,407</u>

See accompanying notes to the basic financial statements.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Note 1 – Reporting Entity and Basis of Presentation

The City of Silverton (the “City”) is a chartered municipal corporation operating under the laws of the State of Ohio. In 1884, the area was incorporated as the Hamlet of Silverton and continued that status until December 31, 1904, when by election it became the Village of Silverton. On January 4, 1961, Silverton officially became a city. The municipal government is known as a Council/Manager form of government. Legislative power is vested in a six member council, all of whom serve a two year term. The Council appoints a City Manager. The City Manager is the chief executive officer of the City. He/she appoints all department heads and employees, except the Mayor and Solicitor. The Mayor is elected at large for a two-year term. The Solicitor is appointed by Council.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds and departments which are not legally separate from the City. They provide various services including police protection, parks and recreation, planning, zoning, street maintenance and repair, parking, waste disposal, and public health and welfare. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. City Council establishes policies and goals and approves the budget and the City Manager is responsible for administering the budget implementing the policies and goals through the operation and control of these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. The City does not have any component units included in its reporting entity.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Silverton have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict the GASB pronouncements. The more significant of the City's accounting policies are described below.

Basis of Presentation

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The City, however, has no business-type activities.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

Fund Accounting

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

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund – This fund accounts for all financial resources except those required to be 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 Charter of the City.

Municipal Civic Center Fund – This fund accounts for note proceeds and transfers from the General Fund for the purchase of a building to be used in the future as a new municipal center.

Hampton Aldon Improvement Fund – This fund accounts for the monies spent on the Hampton Aldon Road Improvement project.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds; the Mayor's Court Fund, which is used to account for the collection and distribution of court fees, the Block Watch Fund, which is used to account for activity of a neighborhood block watch, and the SDI Fund where the City serves as a custodian for the Silverton Development, Inc.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

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. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. 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 specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), fines and forfeitures, and grants.

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2009, but were levied to finance 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity In Pooled Cash and Investments" on the financial statements. The City's Mayor's Court has its own checking accounts for collection and distribution of court fines and forfeitures.

Investments with an original maturity of three months or less at the time of purchase and investments are reported as equity in pooled cash and investments on the financial statements. During fiscal year 2009, the City's investments included commercial paper. Investments are stated at fair value, which is based on quoted market prices.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue reported in the fund financials for 2009 amounted to \$9,995. Interest revenue on the fund level credited to the General Fund amounted to \$8,598 and \$1,397 credited to Other Governmental Funds.

Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditures/expense is recorded in the year in which services are consumed.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Capital Assets

All of the City's capital assets are classified as general capital assets. General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values on the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All capital assets except for land, assets held for resale and construction in progress are depreciated using the straight-line method over the following useful lives:

<u>Asset Description</u>	<u>Estimated Life</u>
Land Improvements	20 Years
Building and Improvements	20 – 50 Years
Furniture, Fixtures and Equipment	3 – 10 Years
Vehicles	5 – 10 Years
Infrastructure	10 – 50 Years

The City's infrastructure consists of streets, curbs and gutters, sidewalks, storm drains, fire hydrants and street lighting. The City began reporting infrastructure in 2004. Only the amounts acquired from that point will be included in capital assets.

Compensated Absences

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

A liability for sick leave is accrued based on guidelines set forth in GASB Statement No. 16 "Accounting for Compensated Absences". The vesting method was implemented and states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with twenty years of service or more. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, long term notes and loans and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Reservations and Designation of Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balance has been reserved for encumbrances, prepaids and inventory.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the City’s \$1,236,707 in restricted net assets, none were restricted by enabling legislation.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Estimates

The preparation of financial statements in conformity with U.S. 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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgets and Budgetary Accounting

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

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

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Note 3 – Budget to Gaap Reconciliation

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements:

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$129,260)
Revenue Accruals	(37,684)
Expenditure Accruals	(34,261)
Advances (Out)	(15,000)
Encumbrances	<u>(22,725)</u>
Budget Basis	<u><u>(\$238,930)</u></u>

Note 4 – Equity in Pooled Cash and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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, and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations; and
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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

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

At year-end, the City had the following Investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Commercial Paper	\$248,942	Less than one year

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$163,763 of the City's bank balance of \$2,163,763 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to losses involving amounts exceeding insured limits.

Interest Rate Risk

The City's investment policy states that the maximum maturity for any investment is limited to a final stated maturity of five years. This policy is in line with State statute that also requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The City's investment policy states that investment in corporate entities must have a debt rating of Aa or better by Standard & Poors' or Moody's rating service. The City's investment in Commercial Paper were rated A-1+/D-1 by Standard & Poor's.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Concentration of Credit Risk

The City's investment policy does not place any limit on investments in any single issuer. Five percent or more of the City's investments are in the following:

<u>Investment Type</u>	<u>Percent</u>
Commercial Paper	100%

Note 5 – Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property (other than public utility) located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes were collected in and financed 2010 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. 2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reported on the 2006 and subsequent year returns is not subject to the personal property tax.

The full tax rate for all City operations for the year ended December 31, 2009, was \$8.15 per \$1,000 of assessed value. This rate consists of \$3.15 pertaining to inside millage and \$5.00 of voted millage. The voted millage was approved in the election of the fall of 2005 for a four year term ended 2009. In May, 2009, the voters approved a renewal of the 5 mil, 4-year levy to expire in 2013. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

	<u>Amount</u>
Real Property	\$87,526,170
Public Utility	3,416,490
Tangible Personal Property	<u>314,420</u>
Total	<u><u>\$91,257,080</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Silverton. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

Note 6 – Receivables

Receivables at December 31, 2009, consisted of municipal income tax, property and other taxes, accounts, and intergovernmental receivables arising from grants, entitlements and shared revenues, accounts, interest and interfund. All receivables are considered collectible in full and will be received within one year.

Note 7 – Income Tax

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

Note 8 – Capital Assets

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$465,377	\$14,657	\$0	\$480,034
Land Held for Resale	95,150	9,500	0	104,650
Construction in Progress	762,856	928,532	1,080,932	610,456
Total Capital Assets, not being depreciated	<u>1,323,383</u>	<u>952,689</u>	<u>1,080,932</u>	<u>1,195,140</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	40,600	0	0	40,600
Buildings and Improvements	940,414	0	0	940,414
Furniture, Fixtures and Equipment	280,100	7,992	26,744	261,348
Vehicles	517,383	20,118	0	537,501
Infrastructure	2,440,262	1,080,932	0	3,521,194
Totals at Historical Cost	<u>5,542,142</u>	<u>2,061,731</u>	<u>1,107,676</u>	<u>6,496,197</u>
Less Accumulated Depreciation:				
Land Improvements	37,415	490	0	37,905
Buildings and Improvements	209,774	24,795	0	234,569
Furniture, Fixtures and Equipment	120,790	30,889	26,744	124,935
Vehicles	299,495	49,210	0	348,705
Infrastructure	656,498	298,073	0	954,571
Total Accumulated Depreciation	<u>1,323,972</u>	<u>403,457</u>	<u>26,744</u>	<u>1,700,685</u>
Governmental Activities Capital Assets, Net	<u>\$4,218,170</u>	<u>\$1,658,274</u>	<u>\$1,080,932</u>	<u>\$4,795,512</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$32,577
Public Safety	25,968
Leisure Time Activities	3,754
Community Environment	43,085
Transportation	298,073
Total Depreciation Expense	<u>\$403,457</u>

Note 9 – Pension Plans

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The CO Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the CO Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2009, 2008 and 2007 were \$106,644, \$97,000 and \$86,000, respectively. The full amount has been contributed for 2007 and 2008 and 92% has been contributed for 2009.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at www.op-f.org.

Plan members are required to contribute 10.0% of their annual covered salary, while employers (the City) are required to contribute 19.5% for police officers and 24.0% for firefighters. The City's contributions to OP&F for the years ending December 31, 2009, 2008 and 2007 were \$132,926, \$130,000, and \$118,000, respectively. The full amount has been contributed for 2007 and 2008 and 87% has been contributed for 2009.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Note 10 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, the City contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contribution allocated to the health care plan was 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from City's Records

The City's required contributions for the current year, which were used to fund postemployment benefits, were \$12,925 for the period of January 1 through March 31, 2009 and \$31,744 for the period of April 1 through December 31, 2009, \$48,000 for 2008, \$17,000 for the period of January 1 through June 30, 2007 and \$17,000 for the period of July 1 through December 31, 2007. The full amount (actual) has been contributed for 2007 and 2008 and 92% has been contributed for 2009.

OPERS Retirement Board Implements its Health Care Preservation Plan

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

Other Information

At December 31, 2009, the number of active contributing participants in the Traditional and Combined Plans totaled 357,584. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388.

The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$10.7 billion. Based on the actuarial cost method used, the Actuarial Valuations as of December 31, 2008, (the latest information available) reported the actuarially accrued liability and the unfunded actuarial accrued liability for OPEB at \$29.6 billion and \$18.9 billion, respectively.

Ohio Police and Fire Pension Fund

Plan Description

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at www.op-f.org.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Information from City's Records

The City's required contributions to OP&F were \$45,992 for police for the year ending December 31, 2009; \$48,000 for police for the year ending December 31, 2008; and \$41,000 for police for the year ending December 31, 2007, respectively, was allocated to the healthcare plan. The actual contributions for 2007 and 2008 were 100% and 87% has been contributed for 2009.

Other Information

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

The number of participants eligible to receive health care benefits as of December 31, 2008, the date of the last actuarial valuation available, are 14,567 for Police and 10,750 for Firefighters. OP&F's total health care expense for the year ending December 31, 2008, the date of the last actuarial valuation available, was \$96,472,398, which was net of member contributions of \$56,948,977.

Note 11 – 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 is a member of the Ohio Plan. The Ohio Plan was formed in 1988 to provide affordable, comprehensive property and liability coverage to public entities. The Ohio Plan is managed by the Board of Directors, which is composed of individual representatives from various Plan members. The administrators, Hylant Administrative Services, provide services from Toledo, Ohio and a local office in the Cincinnati area.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

For 2009, the City participated in a group purchasing pool. The intent of the Plan is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all entities in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

In August, 2009, the City joined the Center for Local Government pool, a sub-pool administered by OME-RESA. Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance pool. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$50,000 per covered person. The plan is offered to Cities state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA). The pool has 17 government members in 2009 in the Southwest Ohio Area.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The Cities independent third-party administrator has actuarially determined that the City did not have any claims incurred but not paid as of December 31, 2009. This amount is non-discounted and is based upon historical claims experience.

Any claims liability that would be reported in the general fund and street maintenance fund at fiscal year end will be based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims, Changes in claims activity for this fiscal year is as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Claims Incurred	Claims Payments	Balance at Fiscal Year-End
2009	\$0	\$58,905	\$58,905	\$0

Note 12 – Capitalized Leases – Lessee Disclosure

During the year, the City entered into capital leases for two copiers. These replaced the previous leased copiers which were retired during the year. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program expenditures on a budgetary basis. Principal of \$5,544 was paid in 2009.

General capital assets consisting of equipment have been capitalized in the amount of \$27,720 which equals the present value of the future minimum lease payments at the time of acquisition.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009.

Year Ending December 31	Long-Term Debt
2010	\$5,544
2011	5,544
2012	5,544
2013	4,158
Total Future Minimum Lease Payments	\$20,790
Less: Amount Representing Interest	0
Present Value of Future Minimum Lease Payments	\$20,790

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Note 13 – Long-Term Obligations

Changes in long-term obligations during 2009 were as follows:

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds</u>						
Various Purpose Refunding Bonds	3.69%	\$155,200	\$0	(\$49,900)	\$105,300	51,700
Building Acquisition Bonds	3.55%	0	900,000	0	900,000	900,000
Total General Obligation Bonds		155,200	900,000	(49,900)	1,005,300	951,700
<u>OPWC Loans</u>						
Fire Hydrants	0.00%	163,138	0	(5,438)	157,700	10,876
Stoll Lane	0.00%	364,369	0	(11,387)	352,982	22,773
East Gatewood Lane	0.00%	131,123	0	(4,098)	127,025	8,195
Sampson Lane	0.00%	231,269	0	(6,424)	224,845	12,848
Plainfield Road South	0.00%	469,504	0	(12,689)	456,815	25,379
Belkenton and Grace Avenue	0.00%	162,106	9,305	0	171,411	8,571
East Avenue	0.00%	0	64,650	0	64,650	2,586
Total OPWC Loans		1,521,509	73,955	(40,036)	1,555,428	91,228
Total Bonds and Loans		1,676,709	973,955	(89,936)	2,560,728	1,042,928
Capital Lease		26,334	0	(5,544)	20,790	5,544
Compensated Absences		457,592	71,611	(149,024)	380,179	112,227
Total Governmental Activities Long-Term Debt		\$2,160,635	\$1,045,566	(\$244,504)	\$2,961,697	\$1,160,699

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

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

In 2003 the City issued Various Purpose General Obligation Refunding Bonds in the amount of \$379,100. The bonds were issued at an interest rate of 3.69% through 2011.

In December 2004 the City finalized a loan agreement with the Ohio Public Works Commission for \$163,903 in street upgrades to East Gatewood Lane which were completed in 2004.

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

During 2006, improvements to Plainfield Road south began. As of December 31, 2006 the City had received \$222,753 from the Ohio Public Works Commission. During 2008 an additional

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

\$284,819 was received for a total of \$507,572 for the project. All work was completed in 2008 and repayment of the loan began.

During 2008, improvements to Belkenton and Grace Avenue began. As of December 31, 2008 the City had received \$162,106 from the Ohio Public Works Commission. During 2009, an additional \$9,305 was received for a total of \$171,411 for the project. Repayment of the loan will begin in 2010.

During 2009, improvements to East Avenue began. As of December 31, 2009, the City received \$64,650 from the Ohio Public Works Commission. Repayment of the loan will begin in 2011.

On April 13, 2009 the City reissued a bond anticipation note in the amount of \$900,000, with an interest rate of 3.55 percent. The note matured on April 12, 2010 and was issued to provide financing for the purchase of a building. The note was paid off on April 12, 2010 with the issuance of 20-year bonds.

Compensated absences and capital lease obligations will be paid from the General Fund.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2009 were:

Year Ending December 31	General		OPWC Loan
	Obligation Bonds and Notes		Principal
	Principal	Interest	
2010	\$951,700	\$35,747	\$91,228
2011	53,600	1,978	91,226
2012	0	0	91,228
2013	0	0	91,226
2014	0	0	91,228
2015-2019	0	0	456,134
2020-2024	0	0	450,696
2025-2029	0	0	179,532
2030-2034	0	0	12,930
Total	\$1,005,300	\$37,725	\$1,555,428

Note 14 – Short-Term Obligations

		Beginning Balance	Additions	Deletions	Ending Balance
Bond Anticipation Notes:					
Governmental Activities:					
Building Acquisition Note 2008	2.90%	\$900,000	\$0	(\$900,000)	\$0

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

Note 15 – Interfund Activity

Individual fund at year end, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$15,000	\$0	\$0	\$321,880
Municipal Civic Center Fund	0	0	916,965	0
Hampton Aldon Improvement Fund	0	0	143,800	0
Other Governmental Funds	0	15,000	199,589	938,474
Total All Funds	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$1,260,354</u>	<u>\$1,260,354</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. All transfers noted above met the requirements of the Ohio Revised Code.

Note 16 – Contingent Liabilities

Litigation

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

Federal and State Grants

For the period January 1, 2009, to December 31, 2009, the City received Federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

Note 17 – Joint Venture

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

The Fire District Board of Trustees consists of eight trustees, with each City appointing four of the trustees. The City's ability to effect operations is limited to its representation on the Board.

City Of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2009

The funding for the operation of the Fire District is provided by tax revenues from a continuing levy approved by the electorate of both cities. There is no explicit and measurable equity interest in the Fire District. The City has an ongoing financial responsibility, because the continued existence of the joint venture depends on the City's contributions. The Joint Fire District is not accumulating significant financial resources nor experiencing fiscal distress that may cause additional burden to the City.

Note 18 – Subsequent Events

In February, 2010, the City Council approved closing the remaining the balances in two completed road improvement funds by transferring the balances to the General Fund. Additionally, the City returned a portion of funds to the General Fund which had been formerly transferred to the Municipal Civic Center Fund. These transfers increased the General Fund balance to provide additional time for the City to evaluate options for changes to operations to address its budgetary deficit condition. The transfers to the General Fund that were approved by the Hamilton County Court of Common Pleas came from the following funds:

Plainfield Montgomery Intersection Improvement Fund	\$78,250
Belkenton Rd./Grace Ave. Improvement Fund	15,797
Municipal Civic Center Improvement Fund	500,000
	<u>\$594,047</u>

In March, 2010, the City and Cincinnati Public School District (CPS) executed legal documents to exchange the southern end of the City's Ficke Park for CPS's Silverton Paideia Elementary school property. The transaction was a property exchange with no additional compensation involved. Beginning in 2010 CPS plans to begin building a new elementary school on the park property. CPS is responsible for razing the Paideia school once the new school opens.

On April 12, 2010, the \$900,000 outstanding bond matured. 20-year General Obligation bonds of \$930,000 were issued at an average rate of 4.74%. Proceeds of the bond sale funded the issuance costs as well as the note that matured.

Note 19 – Accountability

The following individual funds had deficit fund balances at year end:

<u>Fund</u>	<u>Deficit</u>
Major Fund:	
Hampton Aldon Improvement Fund	\$297,774
Other Governmental Funds:	
NSP Grant Fund	9,173
East Avenue Improvement Fund	69,553

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

CITY OF SILVERTON, OHIO

Yellow Book Report

December 31, 2009

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Silverton (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 28, 2011.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
June 28, 2011



Dave Yost • Auditor of State

CITY OF SILVERTON

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 1, 2011