



Dave Yost • Auditor of State



**SYLVANIA AREA JOINT RECREATION DISTRICT  
LUCAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Sylvania Area Joint Recreation District  
Lucas County  
7060 Sylvania Avenue  
Sylvania, Ohio 43560-3528

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sylvania Area Joint Recreation District, Lucas County, Ohio (the District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 and each major fund of the Sylvania Area Joint Recreation District, Lucas County, Ohio, as of December 31, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

January 15, 2013

# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2011*

*Unaudited*

The discussion and analysis of the Sylvania Area Joint Recreational District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

## FINANCIAL HIGHLIGHTS

**Key financial highlights for 2011 are as follows:**

- ❑ In total, net assets increased \$975 from 2010.
- ❑ General revenues accounted for \$2.1 million in revenue or 96% of all revenues. Program specific revenues in the form of charges for services accounted for 4% of total revenues of \$2.1 million.
- ❑ The District had \$2.1 million in expenses related to governmental activities; \$90,220 of these expenses were offset by program specific charges for services and operating grants. General revenues (primarily taxes) of \$2.1 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$1.1 million in revenues and \$1.2 million in expenditures. The general fund's fund balance decreased \$88,019 to \$333,176.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accepting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the District's capital assets and its continued growth.

The government-wide financial statements of the District are:

- Governmental Activities – The District's program's and services are reported here in the form of leisure time activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance District activities. 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.

# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2011*

*Unaudited*

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following table provides a comparison of the District's net assets between 2011 and 2010:

	Governmental Activities	
	2011	2010
Current and other assets	\$2,891,960	\$3,027,364
Capital assets, Net	18,168,075	18,323,500
Total assets	21,060,035	21,350,864
Long-term debt outstanding	11,082,919	11,672,797
Other liabilities	2,127,719	1,829,645
Total liabilities	13,210,638	13,502,442
Net assets		
Invested in capital assets, net of related debt	7,338,082	6,918,507
Restricted	220,673	528,858
Unrestricted	290,642	401,057
Total net assets	\$7,849,397	\$7,848,422

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 and 2010:

	Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for Services and Sales	\$35,220	\$0
Operating Grants and Contributions	55,000	82,996
Capital Grants and Contributions	0	72,155
General revenues:		
Property Taxes	1,817,661	1,851,860
Shared Revenues	257,624	251,860
Investment Earnings	1,796	2,652
Total revenues	2,167,301	2,261,523
Program Expenses		
Leisure Time Activities	1,702,269	1,535,725
Interest and Fiscal Charges	464,057	477,500
Total expenses	2,166,326	2,013,225
Total Change in Net Assets	975	248,298
Beginning Net Assets	7,848,422	7,600,124
Ending Net Assets	\$7,849,397	\$7,848,422

# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2011*

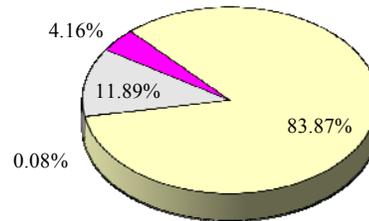
*Unaudited*

## **Governmental Activities**

Net assets of the District's governmental activities increased by \$975.

The District's reliance upon tax revenues is demonstrated by the following graph indicating 83.87% of total revenues from property tax revenues:

Revenue Sources	2011	Percent of Total
General Shared Revenues	\$257,624	11.89%
Program Revenues	90,220	4.16%
Property Tax Revenues	1,817,661	83.87%
General Other	1,796	0.08%
Total Revenue	<u>\$2,167,301</u>	<u>100.00%</u>



## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$517,037, which is a decrease from last year's balance of \$875,690. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Fund Balance December 31, 2010	Increase (Decrease)
General	\$333,176	\$421,195	(\$88,019)
General Obligation Debt Service	142,704	100,130	42,574
Capital Improvement	41,157	354,365	(313,208)
Total	<u>\$517,037</u>	<u>\$875,690</u>	<u>(\$358,653)</u>

General Fund – The District's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

## **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

	2011 <u>Revenues</u>	2010 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$953,472	\$985,309	(\$31,837)
Intergovernmental Revenue	155,129	214,439	(59,310)
Investment Earnings	1,796	2,652	(856)
All Other Revenue	35,220	0	35,220
Total	<u>\$1,145,617</u>	<u>\$1,202,400</u>	<u>(\$56,783)</u>

General Fund revenues in 2011 decreased approximately 4.7% compared to revenues in fiscal year 2010. The most significant factor contributing to this decrease was the decrease in property tax revenue. The reason for the decrease was an error by which several local governments paid too much in property taxes to the SAJRD in previous years. In order to correct the error, the County went back five years and deducted current property tax distributions.

	2011 <u>Expenditures</u>	2010 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Leisure Time Activities	\$1,233,636	\$1,213,817	\$19,819

General Fund expenditures increased by \$19,819 or 1.6% mostly due to slight increases in operating expenses during 2011.

The decrease in fund balance in the Capital Improvement Fund during 2011 compared to 2010 was related to the payment of capital improvements coming out of the existing fund balance.

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011 the District amended its General Fund budget once prior to the close of the fiscal year.

For the General Fund, final budget basis revenue of \$1.1 million decreased from the original budget estimates of \$1.2 million. The General Fund had an adequate fund balance to cover expenditures.

# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2011*

*Unaudited*

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal 2011 the District had \$18,168,075 net of accumulated depreciation invested in land, improvements, buildings and machinery and equipment. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$3,365,352	\$3,365,352	\$0
Buildings and Improvements	16,516,733	16,209,025	307,708
Machinery and Equipment	431,079	431,079	0
Less: Accumulated Depreciation	<u>(2,145,089)</u>	<u>(1,681,956)</u>	<u>(463,133)</u>
Totals	<u>\$18,168,075</u>	<u>\$18,323,500</u>	<u>(\$155,425)</u>

The primary increase occurred in buildings and improvements. The increase in buildings and improvements was related to the projects completed in 2011. Most of the increase can be attributed to the purchase and installation cost for new air conditioning units at the Tam O'Shanter complex. Additional information on the City's capital assets can be found in Note 8.

### *Debt*

In July 2004, the District defeased \$3,200,000 of General Obligation Bonds for Recreation Facility Improvements dated May 1, 1995 (the "1995 Bonds") through the issuance of \$3,365,000 of General Obligation Bonds for Recreation Facility Improvements (the "2004 Bonds"). The net proceeds of the 2004 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$2,075,000 at December 31, 2011 are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

At December 31, 2011, the District had \$11.1 million in bonds outstanding, \$619,878 due within one year. The following table summarizes the District's debt outstanding as of December 31, 2011 and 2010:

	2011	2010
Governmental Activities:		
General Obligation Bonds	\$10,829,993	\$11,404,993
Premium on G.O. Bonds	<u>252,926</u>	<u>267,804</u>
Total Governmental Activities	<u>\$11,082,919</u>	<u>\$11,672,797</u>

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

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**SYLVANIA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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State statutes limit the amount of unvoted general obligation debt the District may issue. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. At December 31, 2011, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

## **ECONOMIC FACTORS**

The District's original budget for 2011 utilized conservative revenue estimates with limited increases in base operating costs. Original General Fund revenues were projected to be 1.5% less than the actual receipts for 2011.

General Fund expenditures were originally budgeted at more than 2011 actual expenditures. Expenditure requests were increased from original submissions; certain capital projects were completed in 2010; and only those items that the District Board of Trustees determined necessary were appropriated.

The District Board of Trustees continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of reducing expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Fiscal Officer at the Sylvania Area Joint Recreation District, 7060 Sylvania Avenue, Sylvania, Ohio 43560.

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# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## **Statement of Net Assets December 31, 2011**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 597,537
Receivables:	
Taxes	2,027,131
Intergovernmental	128,831
Deferred Charge	138,461
Capital Assets:	
Capital Assets not Being Depreciated	3,365,352
Capital Assets Being Depreciated	14,802,723
<b>Total Assets</b>	<b>21,060,035</b>
<b>Liabilities:</b>	
Accounts Payable	80,500
Unearned Revenue	2,011,169
Accrued Interest Payable	36,050
Noncurrent liabilities:	
Due within one year	619,878
Due in more than one year	10,463,041
<b>Total Liabilities</b>	<b>13,210,638</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	7,338,082
Restricted For:	
Capital Projects	41,157
Debt Service	179,516
Unrestricted	290,642
<b>Total Net Assets</b>	<b>\$ 7,849,397</b>

See accompanying notes to the basic financial statements



# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

## Balance Sheet Governmental Funds December 31, 2011

	General	General Obligation Debt Service	Capital Improvement	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 333,176	\$ 142,704	\$ 121,657	\$ 597,537
Receivables:				
Taxes	1,023,093	1,004,038	0	2,027,131
Intergovernmental	64,419	64,412	0	128,831
<b>Total Assets</b>	<u>\$ 1,420,688</u>	<u>\$ 1,211,154</u>	<u>\$ 121,657</u>	<u>\$ 2,753,499</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 0	\$ 80,500	\$ 80,500
Deferred Revenue	1,087,512	1,068,450	0	2,155,962
<b>Total Liabilities</b>	<u>1,087,512</u>	<u>1,068,450</u>	<u>80,500</u>	<u>2,236,462</u>
<b>Fund Balances:</b>				
Restricted	0	142,704	41,157	183,861
Unassigned	333,176	0	0	333,176
<b>Total Fund Balances</b>	<u>333,176</u>	<u>142,704</u>	<u>41,157</u>	<u>517,037</u>
<b>Total Liabilities and Funds Balances</b>	<u>\$ 1,420,688</u>	<u>\$ 1,211,154</u>	<u>\$ 121,657</u>	<u>\$ 2,753,499</u>

See accompanying notes to the basic financial statements

**SYLVANIA AREA JOINT RECREATION DISTRICT**

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SYLVANIA, OHIO

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2011***

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<b>Total Governmental Fund Balances</b>	\$ 517,037
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	18,168,075
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	283,254
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,118,969)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<b><u>\$ 7,849,397</u></b>

See accompanying notes to the basic financial statements

# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2011

	General	General Obligation Debt Service	Capital Improvement	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 953,472	\$ 934,195	\$ 0	\$ 1,887,667
Intergovernmental Revenues	155,129	156,009	0	311,138
Investment Earnings	1,796	0	0	1,796
All Other Revenue	35,220	0	0	35,220
<b>Total Revenue</b>	<u>1,145,617</u>	<u>1,090,204</u>	<u>0</u>	<u>2,235,821</u>
<b>Expenditures:</b>				
Current:				
Leisure Time Activities	1,233,636	0	0	1,233,636
Capital Outlay	0	0	313,208	313,208
Debt Service:				
Principal Retirement	0	575,000	0	575,000
Interest & Fiscal Charges	0	472,630	0	472,630
<b>Total Expenditures</b>	<u>1,233,636</u>	<u>1,047,630</u>	<u>313,208</u>	<u>2,594,474</u>
Excess (Deficiency) of Revenues Over Expenditures	(88,019)	42,574	(313,208)	(358,653)
<b>Fund Balances at Beginning of Year</b>	<u>421,195</u>	<u>100,130</u>	<u>354,365</u>	<u>875,690</u>
<b>Fund Balances End of Year</b>	<u>\$ 333,176</u>	<u>\$ 142,704</u>	<u>\$ 41,157</u>	<u>\$ 517,037</u>

See accompanying notes to the basic financial statements

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**SYLVANIA AREA JOINT RECREATION DISTRICT**

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SYLVANIA, OHIO

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended December 31, 2011***

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (358,653)
<b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>	
Governmental funds report capital outlays 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 by which depreciation exceeded capital outlay in the current period.	(155,425)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(68,520)
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	589,878
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,840
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 the governmental funds.	(8,145)
<b><i>Change in Net Assets of Governmental Activities</i></b>	<u>\$ 975</u>

See accompanying notes to the basic financial statements

# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 985,000	\$ 955,300	\$ 953,472	\$ (1,828)
Intergovernmental Revenue	205,000	157,000	155,129	(1,871)
Investment Earnings	2,500	2,000	1,796	(204)
All Other Revenues	<u>0</u>	<u>20,000</u>	<u>35,220</u>	<u>15,220</u>
Total Revenues	<u>1,192,500</u>	<u>1,134,300</u>	<u>1,145,617</u>	<u>11,317</u>
<b>Expenditures:</b>				
Current:				
Leisure Time Activities	<u>1,613,695</u>	<u>1,555,495</u>	<u>1,233,636</u>	<u>321,859</u>
Total Expenditures	<u>1,613,695</u>	<u>1,555,495</u>	<u>1,233,636</u>	<u>321,859</u>
(Deficiency) of Revenues				
(Under) Expenditures	(421,195)	(421,195)	(88,019)	333,176
Fund Balance at Beginning of Year	<u>421,195</u>	<u>421,195</u>	<u>421,195</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 333,176</u>	<u>\$ 333,176</u>

See accompanying notes to the basic financial statements

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# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accompanying basic financial statements of the District present the financial position of the various fund types and the results of operations of the various fund types. The financial statements are presented as of December 31, 2011 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

#### **A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the District's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District.

Based on the foregoing, the District's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the District.

#### **B. Basis of Presentation - Fund Accounting**

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

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **B. Basis of Presentation - Fund Accounting (Continued)**

##### ***Governmental Funds***

The governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

General Obligation Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on general obligation debt.

Capital Improvement Fund - This fund is used to account for funds used for capital projects financing or related capital expenditures attributable to various capital improvements

#### **C. Basis of Presentation – Financial Statements**

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no activities considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **C. Basis of Presentation – Financial Statements (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District'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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

#### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **D. Basis of Accounting (Continued)**

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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

Property taxes measurable as of December 31, 2011, but which are not intended to finance 2011 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

#### **E. Budgetary Process**

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

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **E. Budgetary Process (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund and function level of control. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the function level within each fund without the approval of District's Board. Budgetary modifications above the major function level by fund may only be made by resolution of the District Board.

##### **1. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the District by September 1 of each year. As part of the certification process, the District receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

##### **2. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund and function level, and may be modified during the year by ordinance of the District Board. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the fund and function level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**SYLVANIA AREA JOINT RECREATION DISTRICT**

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SYLVANIA, OHIO

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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

**E. Budgetary Process (Continued)**

3. Lapsing of Appropriations

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

4. Budgetary Basis of Accounting

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

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

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	<u>(\$88,019)</u>
Budget Basis	<u><u>(\$88,019)</u></u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits. The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Pooled Cash, Cash Equivalents and Investments."

**SYLVANIA AREA JOINT RECREATION DISTRICT**

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*SYLVANIA, OHIO*

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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

**G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and local ordinances. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$1,796. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Pooled Cash, Cash Equivalents and Investments."

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Capital Assets and Depreciation**

1. Property, Plant and Equipment - Governmental Activities

Governmental activities' capital assets are those not directly related to business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

2. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings & Improvements	15 - 50
Machinery and Equipment	15

**SYLVANIA AREA JOINT RECREATION DISTRICT**

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SYLVANIA, OHIO

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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

**J. Long-Term Debt**

Long-term debt is being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Debt Service Fund

**K. 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 adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

#### **L. Fund Balances (Continued)**

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

#### **M. 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.

# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

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

#### **N. Estimates**

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

#### **O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

### NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Other long-term assets not available to pay for current-period expenditures:*

Shared Revenues	\$128,831
Delinquent Property Tax Revenue	15,962
Unamortized Bond Issuance Costs	138,461
	<u>\$283,254</u>

*Long-Term liabilities not reported in the funds:*

General Obligation Bonds Payable	(\$11,082,919)
Accrued Interest on Long-Term Debt	(36,050)
	<u>(\$11,118,969)</u>

**SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

*Amount by which depreciation exceeded capital outlay in the current period:*

Capital Outlay	\$307,708
Depreciation Expense	<u>(463,133)</u>
	(\$155,425)

*Governmental revenues not reported in the funds:*

Increase in Shared Revenue	\$1,486
Decrease in Delinquent Property Tax	<u>(70,006)</u>
	(\$68,520)

*Net amount of long-term debt issuance and bond and lease principal payments:*

G.O. Bond Principal Payment	\$575,000
Amortize Premium on G.O. Bonds Issued	<u>14,878</u>
	\$589,878

*Expenses not requiring the use of current financial resources:*

Amortize Bond Issuance Costs	(\$8,145)
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# SYLVANIA AREA JOINT RECREATION DISTRICT

SYLVANIA, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

### NOTE 3 – FUND BALANCE CLASSIFICATION

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>General Obligation Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
Restricted:				
General Obligation Debt Service Payments	\$0	\$142,704	\$0	\$142,704
Capital Improvements	0	0	41,157	41,157
Total Restricted	0	142,704	41,157	183,861
Unassigned	333,176	0	0	333,176
Total Fund Balances	\$333,176	\$142,704	\$41,157	\$517,037

### NOTE 4 - CHANGE IN ACCOUNTING PRINCIPLE - RESTATEMENT OF FUND BALANCE/NET ASSETS

For 2011 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions. The application of this new standard did not have an effect on prior year fund balances.

### NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." Ohio law requires the classification of funds held by the District into three categories.

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

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

### **NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

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

**SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

**NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any country, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Such collateral, as permitted by Chapter 135 of the ORC is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the District.

At year end the carrying amount of the District's deposits was \$597,537 and the bank balance was \$598,166. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance and \$348,166 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	<u>\$348,166</u>
Total Balance	<u><u>\$348,166</u></u>

# ***SYLVANIA AREA JOINT RECREATION DISTRICT***

***SYLVANIA, OHIO***

## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

### **NOTE 6 – PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2007. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Tangible personal property tax revenues received in 2011 (other than public utility property) represent the collection of 2011 taxes. Tangible personal property taxes received in 2011 were levied after October 1, 2010, on the true value as of January 1, 2010. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. This percentage was reduced to 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District was fully reimbursed for the lost revenue.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the Sylvania Area Joint Recreational District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended December 31, 2011 was \$1.62 per \$1,000 of assessed value. The assessed value upon which the 2011 receipts were based was \$1,452,002,060. This amount constitutes \$1,434,597,830 in real property assessed value, \$17,404,230 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .162% (1.62 mills) of assessed value.

**SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 7- RECEIVABLES**

Receivables at December 31, 2011 consisted of taxes and intergovernmental receivables.

**NOTE 8 – CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2011:

*Historical Cost:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$3,365,352	\$0	\$0	\$3,365,352
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	16,209,025	307,708	0	16,516,733
Machinery and Equipment	431,079	0	0	431,079
Total Cost	\$20,005,456	\$307,708	\$0	\$20,313,164

*Accumulated Depreciation:*

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings and Improvements	(\$1,600,652)	(\$434,394)	\$0	(\$2,035,046)
Machinery and Equipment	(81,304)	(28,739)	0	(110,043)
Total Depreciation	(\$1,681,956)	(\$463,133) *	\$0	(\$2,145,089)
<i>Net Value:</i>	\$18,323,500			\$18,168,075

\* Depreciation expenses were charged to governmental functions as follows:

Leisure Time Activities	\$463,133
Total Depreciation Expense	\$463,133

**SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 9 - LONG-TERM DEBT**

Long-term debt of the District at December 31, 2011 is as follows:

	Issue Date	Balance December 31, 2010	Issued (Retired)	Issued (Retired)	Balance December 31, 2011	Amounts Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
5.00% Recreation Facility	1995	\$845,000	\$0	(\$65,000)	\$780,000	\$70,000
2.00% Recreation Facility	2004	1,940,000	0	(240,000)	1,700,000	250,000
3.00% Recreation Facility	2008	8,619,993	0	(270,000)	8,349,993	285,000
Premium G.O. Bonds	2008	267,804	0	(14,878)	252,926	14,878
Total General Obligation Bonds		<u>11,672,797</u>	<u>0</u>	<u>(589,878)</u>	<u>11,082,919</u>	<u>619,878</u>
Total Governmental Activities Long-Term Debt		<u>\$11,672,797</u>	<u>\$0</u>	<u>(\$589,878)</u>	<u>\$11,082,919</u>	<u>\$619,878</u>

**A. Principal and Interest Requirements**

The District's future long-term obligation funding requirements, including principal and interest payments as of December 31, 2011, is as follows:

Years	G.O. Bonds	
	Principal	Interest
2012	\$619,878	\$432,601
2013	679,878	408,584
2014	500,301	581,137
2015	518,116	571,297
2016	352,746	782,695
2017-2021	3,547,854	1,988,479
2022-2026	3,319,390	762,165
2027-2028	1,544,756	102,825
Totals	<u>\$11,082,919</u>	<u>\$5,629,783</u>

**B. Defeasance of General Obligation Debt**

In July 2004, the District defeased \$3,200,000 of General Obligation Bonds for Recreation Facility Improvements dated May 1, 1995 (the "1995 Bonds"), through the issuance of \$3,365,000 of General Obligation Bonds for Recreation Facility Improvements (the "2004 Bonds"). The net proceeds of the 2004 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$2,075,000 at December 31, 2011, are not included in the District's outstanding debt since the District has, in-substance, satisfied its obligations through the advance refunding. The District obtained an economic gain of \$97,938.

# **SYLVANIA AREA JOINT RECREATION DISTRICT**

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**SYLVANIA, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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### **NOTE 10 - OPERATING LEASE COMMITMENTS**

The District is committed under a lease with the Sylvania City Board of Education for a piece of property known as Veteran's Memorial Field at an annual rate of \$1.00, to be used for its community and recreational programs. Under the terms of the lease, the District is responsible for operating and maintaining the property. This lease began on August 1, 1997 and is scheduled to end on July 31, 2022, at which time the District has the option to renew the lease for an additional twenty-five years. This lease is considered for accounting purposes to be an operating lease. Lease expenditures for the fiscal year ended December 31, 2011, amounted to \$1.00.

The District is committed under a lease with the City of Sylvania for a piece of property containing an ice skating complex and a field house owned by the District which is used for its community and recreational programs. Under the terms of the lease, the District is responsible for operating and maintaining the property. The initial term of the lease is for fifty (50) years; with the aggregate base rent of \$1,000.00. This lease began on June 25, 2008 and is scheduled to end on June 30, 2058, at which time the District has the option to renew the lease for three additional ten year periods each commencing on the expiration of the initial term or the prior renewal term with aggregate rent payments of \$100.00 for each period. This lease is considered for accounting purposes to be an operating lease. Lease expenditures for the fiscal year ended December 31, 2011 amounted to \$1,000.00 which is the aggregate base rent for the initial term.

On June 15, 2009 the District entered into an additional operating lease with the City of Sylvania for 3.094 acres of undeveloped, City-owned property adjacent to Centennial Terrace which is owned by the District. The purpose of the lease was to provide for overflow parking at the larger events held at this venue. The lease provides for payment of \$10.00 per year for a period of thirty-six (36) months, from July 1, 2009 through June 30, 2012. The lease term is for 108 months, from July 1, 2009 through June 30, 2018. The District is authorized to make improvements to the property to provide for vehicle parking. The City may cancel the lease after 36 months but must reimburse the District, on a pro-rata basis, for the improvements made to the site.

**SYLVANIA AREA JOINT RECREATION DISTRICT**

**SYLVANIA, OHIO**

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

During 2011 the District contracted with several different insurance providers for various insurance coverages, as follows:

Type of Coverage	Coverage	Deductible
General Liability	\$7,000,000	\$0
Automobile (CSL)	\$5,000,000	\$250
Excess Liability	\$2,000,000	\$10,000
Real and Personal Property	\$19,650,388	\$1,000
Public Officials Liability	\$7,000,000	\$2,500
Crime Coverage:		
Blanket Bond	\$100,000	\$0
Forgery Alterations	\$10,000	\$0
Theft, Disappearance and Destruction	\$15,000	\$0
Computer Fraud	\$5,000	\$100
Equipment-Inland Marine	\$823,233	\$0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**NOTE 12 - SUBSEQUENT EVENT**

In February 2012, the District refunded Series 1995 Bonds in the amount of \$780,000 replacing the bonds with new bonds at a lower interest rate.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Sylvania Area Joint Recreation District  
Lucas County  
7060 Sylvania Avenue  
Sylvania, Ohio 43560-3528  
To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Sylvania Area Joint Recreation District, Lucas County, Ohio (the District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2013, wherein we noted the District implemented Government Auditing Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions." 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District'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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Sylvania Area Joint Recreation District  
Lucas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the audit committee, Board of Trustees, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 15, 2013



# Dave Yost • Auditor of State

SYLVANIA AREA JOINT RECREATION DISTRICT

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 19, 2013