



Dave Yost • Auditor of State

VILLAGE OF SILVERTON
HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Silverton
Hamilton County
6860 Plainfield Road
Silverton, Ohio 45236

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton, Hamilton County, Ohio (the Village), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Village of Silverton, Hamilton County, Ohio, as of December 31, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Street Maintenance Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2013, the Village adopted the provisions of Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 18, 2014

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

Management's Discussion and Analysis (MD&A) of the Village of Silverton's financial performance provides an overview of the Village's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Village'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 Village's overall financial performance.

Financial Highlights

- In total, net position increased by \$255,462.
- General revenues accounted for \$1,953,289 or 63% of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,145,515 or 37% percent of total governmental revenues of \$3,098,804.
- The Village had \$2,843,342 in expenses; only 37% 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 Village of Silverton's financial situation as a whole and also give a detailed view of the Village's fiscal condition.

The Statement of Net Position and Statement of Activities provide information about the activities of the Village as a whole and present a long-term view of the Village's finances. The individual fund financial statements focus on the Village'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 Village is "How did we do financially during 2013?" The Statement of Net Position and the Statements of Activities, which appear first in the Village's financial statements, report information on the Village 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.

**Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)**

Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Village 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 Village is meeting legal responsibilities for the use of grants. The focus of the fund financial statements in this report is on the Village's most significant funds, and therefore only the major funds are presented in separate columns. The Village has two major funds: the General Fund and the Street Maintenance Fund.

Governmental Funds – The Village'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 Village'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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – The Village's fiduciary fund consists of three agency funds. We exclude these activities from the Village's other financial statements because the Village 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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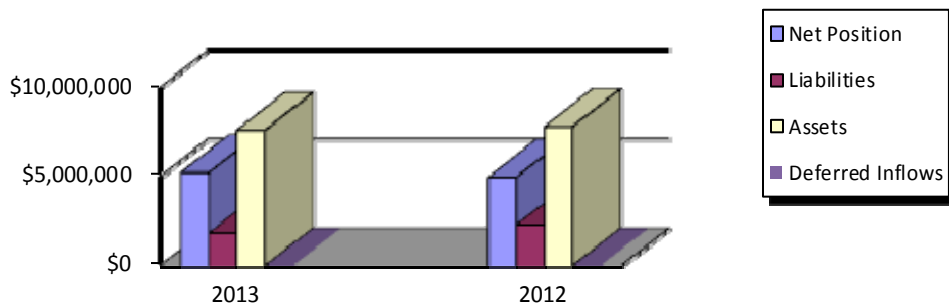
**Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)**

The Village as a Whole

As stated previously, the Statement of Net Position looks at the Village as a whole. The following table provides a summary of the Village's net position for 2013 compared to 2012:

**Table 1
Net Position**

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$3,843,785	\$4,151,557
Capital Assets	3,750,389	3,640,707
Total Assets	7,594,174	7,792,264
Liabilities:		
Long-Term Liabilities	1,702,679	1,922,393
Other Liabilities	142,522	379,575
Total Liabilities	1,845,201	2,301,968
Deferred Inflows of Resources	525,032	521,817
Net Position:		
Net Investment in Capital Assets	2,496,976	2,289,169
Restricted	273,079	268,689
Unrestricted	2,453,886	2,410,621
Total Net Position	\$5,223,941	\$4,968,479



Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

As displayed in Table 1 total net position of the Village as a whole, increased by \$255,462. Current and Other Assets decreased mainly due to a decrease in taxes receivable, which was mainly due to the Village experiencing a decrease in income taxes receivable. Long-Term Liabilities decreased mainly due to the Village continuing to make principal payments on its long term debt obligations.

In order to further understand what makes up the changes in net position for the current year, the following table 2 gives readers further details regarding the results of governmental activities for 2013 and 2012:

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012 Restated
Program Revenues:		
Charges for Services	\$355,092	\$451,497
Operating Grants and Contributions	241,420	231,617
Capital Grants and Contributions	549,003	311,689
Total Program Revenues	1,145,515	994,803
General Revenues:		
Income Taxes	1,245,786	1,482,662
Property Taxes	549,180	631,224
Grants and Entitlements	122,273	100,434
Investment Earnings	1,048	10,836
Other Revenues	35,002	34,098
Total General Revenues	1,953,289	2,259,254
Total Revenues	3,098,804	3,254,057
Program Expenses:		
General Government	581,822	667,556
Public Safety	1,052,423	1,340,727
Community Environment	447,589	503,535
Leisure Time	15,346	13,613
Transportation and Street Repair	729,949	818,176
Public Health and Welfare	5,175	5,031
Interest and Fiscal Charges	11,038	12,428
Total Program Expenses	2,843,342	3,361,066
Change in Net Position	255,462	(107,009)
Net Position - Beginning of Year	4,968,479	5,075,488
Net Position - End of Year	\$5,223,941	\$4,968,479

Total revenues decreased mainly due to a decrease in income tax revenues, which was mainly due to a decrease in income tax receipts in 2013 as compared to 2012. Total expenditures decreased from 2012 to 2013 mainly due to the Village's ongoing effort to cut costs.

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

Governmental Activities

The 1.25% income tax is the largest source of revenue for the General Fund and the Village of Silverton. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village 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	
	2013	2012	2013	2012
General Government	\$581,822	\$667,556	(\$520,766)	(\$500,020)
Public Safety	1,052,423	1,340,727	(1,045,948)	(1,327,901)
Community Environment	447,589	503,535	(142,262)	(202,858)
Leisure Time	15,346	13,613	486,770	(13,613)
Transportation and Street Repair	729,949	818,176	(459,408)	(304,412)
Public Health and Welfare	5,175	5,031	(5,175)	(5,031)
Interest and Fiscal Charges	11,038	12,428	(11,038)	(12,428)
Total Expenses	\$2,843,342	\$3,361,066	(\$1,697,827)	(\$2,366,263)

When looking at the sources of income to support governmental activities, it should be noted that charges for services are only 11.5% of total revenues. Revenues provided by sources other than Village residents in the form of operating and capital grants and contributions comprise another 25.5%. The remaining revenues are primarily generated locally through property and income taxes. Village 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.

The Village's Funds

The Village has two major governmental funds: the General Fund and the Street Maintenance Fund. Assets of these funds comprised \$3,457,057 (90%) of the total \$3,843,785 governmental funds' assets.

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

General Fund: Fund balance at December 31, 2013 was \$1,618,239, an increase in fund balance of \$308,309 from 2012. The increase in fund balance was due mainly to a decrease in general government and public safety expenditures.

Street Maintenance Fund: Fund balance at December 31, 2013 was \$75,920. The fund balance remained relatively consistent in 2013 as compared to 2012.

General Fund Budgeting Highlights

The Village'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 Village's budget is adopted at the fund level by Village Council in the form of an ordinance resolution.

Final General Fund original and final budget basis revenues were \$2,345,157 and actual General Fund budget basis revenues was \$2,589,400. The difference between actual budget basis revenues and final budgeted revenues was \$244,243 due to the underestimating for income taxes revenue and intergovernmental revenue (grant monies).

The increase in appropriations from the original to the final budget was mainly a result of an increase in budgeted public safety expenditures. The difference between actual budget basis expenditures and final budgeted expenditures was \$356,740, which was mainly due to overestimating of public safety expenditures for the year.

Capital Assets and Debt Administration

At December 31, 2013, the Village had invested in a broad range of capital assets, including land, 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	
	2013	2012
Land	\$578,666	\$578,666
Land Improvements	169,228	15,112
Buildings and Improvements	485,423	229,423
Furniture, Fixtures, and Equipment	333,459	263,609
Vehicles	466,974	432,339
Infrastructure	5,024,841	4,991,727
Accumulated Depreciation	(3,308,202)	(2,870,169)
Total Net Capital Assets	<u>\$3,750,389</u>	<u>\$3,640,707</u>

Village of Silverton, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

Net Capital Assets increased mainly due to current year additions exceeding current year depreciation expense.

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

Debt

At December 31, 2013, the Village of Silverton had the following debt outstanding:

Table 5
Outstanding Debt at Year End

		2013	2012
Governmental Activities:			
Long-Term Debt:			
2010 Building Acquisition Bonds	4.74%	\$240,000	\$255,000
OPWC Loans:			
Fire Hydrants	0.00%	114,196	125,072
Stoll Lane	0.00%	261,890	284,663
East Gatewood Lane	0.00%	94,245	102,440
Sampson Lane	0.00%	173,453	186,301
Plainfield Road South	0.00%	355,300	380,678
Belkenton and Grace Avenue	0.00%	137,128	145,698
East Avenue	0.00%	117,201	122,528
Capital Lease	0.00%	0	4,158
Total Long-Term Debt		<u>\$1,493,413</u>	<u>\$1,606,538</u>

See Note 12 for more details about the Village's debt obligations.

Current Financial Challenges and Initiatives

Like many other governments, the Village is facing significant financial pressures in the form of flat-lined revenues and increasing operating expenses. The Village is focusing on collections of delinquent income taxes and on restricting operating expenses and deferring capital expenditures.

Contacting the Village's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Village's finances and to show the Village'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 Tom Carroll, Village Manager, Village of Silverton, 6860 Plainfield Road, Cincinnati, Ohio 45236.

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Village of Silverton, Ohio
Statement of Net Position
December 31, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$2,041,489
Receivables (Net):	
Taxes	1,576,398
Accounts	42,383
Interest	1,536
Intergovernmental	138,171
Special Assessments	6,502
Inventory	12,312
Prepaid Items	24,994
Nondepreciable Capital Assets	578,666
Depreciable Capital Assets, Net	<u>3,171,723</u>
 Total Assets	 <u>7,594,174</u>
Liabilities:	
Accounts Payable	59,606
Accrued Wages and Benefits	26,642
Accrued Interest Payable	890
Claims Payable	55,384
Long-Term Liabilities:	
Due Within One Year	194,057
Due In More Than One Year	<u>1,508,622</u>
 Total Liabilities	 <u>1,845,201</u>
Deferred Inflows of Resources:	
Property Taxes	<u>525,032</u>
 Total Deferred Inflows of Resources	 <u>525,032</u>
Net Position:	
Net Investment in Capital Assets	2,496,976
Restricted for:	
Capital Projects	5,682
Street Improvements	218,485
Other Purposes	48,912
Unrestricted	<u>2,453,886</u>
 Total Net Position	 <u>\$5,223,941</u>

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2013

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$581,822	\$61,056	\$0	\$0
Public Safety	1,052,423	2,100	4,375	0
Community Environment	447,589	291,936	7,601	5,790
Leisure Time	15,346	0	0	502,116
Transportation and Street Repair	729,949	0	229,444	41,097
Public Health and Welfare	5,175	0	0	0
Interest and Other Charges	11,038	0	0	0
Total Governmental Activities	2,843,342	355,092	241,420	549,003

General Revenues:
Income Taxes
Property Taxes Levied for:
General Purposes
Grants and Entitlements, Not Restricted
Investment Earnings
Other Revenues

Total General Revenues

Change in Net Position

Net Position - Beginning of Year, Restated

Net Position - End of Year

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue</u> <u>and Changes in Net Position</u> <u>Governmental</u> <u>Activities</u>	
	(520,766)
	(1,045,948)
	(142,262)
	486,770
	(459,408)
	(5,175)
	(11,038)
	<u>(1,697,827)</u>
	1,245,786
	549,180
	122,273
	1,048
	35,002
	<u>1,953,289</u>
	255,462
	<u>4,968,479</u>
	<u><u>\$5,223,941</u></u>

Village of Silverton, Ohio
Balance Sheet
Governmental Funds
December 31, 2013

	General	Street Maintenance	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,608,962	\$63,075	\$369,452	\$2,041,489
Receivables (Net):				
Taxes	1,576,398	0	0	1,576,398
Accounts	39,405	2,768	210	42,383
Interest	1,536	0	0	1,536
Intergovernmental	28,355	103,356	6,460	138,171
Special Assessments	0	0	6,502	6,502
Inventory	0	8,208	4,104	12,312
Prepaid Items	21,817	3,177	0	24,994
Total Assets	3,276,473	180,584	386,728	3,843,785
Liabilities:				
Accounts Payable	48,359	4,325	6,922	59,606
Accrued Wages and Benefits	21,995	4,647	0	26,642
Compensated Absences	43,627	0	0	43,627
Claims Payable	46,271	9,113	0	55,384
Total Liabilities	160,252	18,085	6,922	185,259
Deferred Inflows of Resources:				
Property Taxes	585,221	0	0	585,221
Income Taxes	875,220	0	0	875,220
Grants and Other Taxes	21,676	86,579	5,391	113,646
Unavailable Revenue	15,865	0	6,502	22,367
Total Deferred Inflows of Resources	1,497,982	86,579	11,893	1,596,454
Fund Balances:				
Nonspendable	21,817	11,385	4,104	37,306
Restricted	0	64,535	306,720	371,255
Committed	0	0	61,323	61,323
Assigned	167,220	0	2,268	169,488
Unassigned	1,429,202	0	(6,502)	1,422,700
Total Fund Balances	1,618,239	75,920	367,913	2,062,072
Total Liabilities, Deferred Inflows and Fund Balances	\$3,276,473	\$180,584	\$386,728	\$3,843,785

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2013

Total Governmental Fund Balance \$2,062,072

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 3,750,389

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Income Taxes	\$875,220	
Delinquent Property Taxes	60,189	
Intergovernmental	113,646	
Interest	1,536	
Special Assessments	6,502	
Other Receivables	14,329	
		1,071,422

In the statement of net position 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. (890)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (165,639)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (1,493,413)

Net Position of Governmental Activities \$5,223,941

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2013

	General	Street Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$666,428	\$0	\$0	\$666,428
Income Taxes	1,374,332	0	0	1,374,332
Charges for Services	291,025	0	0	291,025
Investment Earnings	0	268	277	545
Intergovernmental	136,852	216,576	208,104	561,532
Special Assessments	0	0	5,620	5,620
Fines, Licenses & Permits	62,142	0	7,229	69,371
Other Revenues	22,335	4,988	7,678	35,001
Total Revenues	2,553,114	221,832	228,908	3,003,854
Expenditures:				
Current:				
General Government	573,655	0	5,787	579,442
Public Safety	1,081,756	9,361	0	1,091,117
Community Environment	387,296	0	20,296	407,592
Leisure Time	6,765	0	0	6,765
Transportation and Street Repair	0	297,324	17,506	314,830
Public Health and Welfare	5,175	0	0	5,175
Capital Outlay	0	0	110,355	110,355
Debt Service:				
Principal	4,158	0	108,967	113,125
Interest and Other Charges	0	0	11,071	11,071
Total Expenditures	2,058,805	306,685	273,982	2,639,472
Excess of Revenues Over (Under) Expenditures	494,309	(84,853)	(45,074)	364,382
Other Financing Sources (Uses):				
Transfers In	0	73,000	113,000	186,000
Transfers (Out)	(186,000)	0	0	(186,000)
Total Other Financing Sources (Uses)	(186,000)	73,000	113,000	0
Net Change in Fund Balance	308,309	(11,853)	67,926	364,382
Fund Balance - Beginning of Year	1,309,930	82,315	297,258	1,689,503
Change in Nonspendable for Inventory	0	5,458	2,729	8,187
Fund Balance - End of Year	\$1,618,239	\$75,920	\$367,913	\$2,062,072

See accompanying notes to the basic financial statements.

Village 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, 2013

Net Change in Fund Balance - Total Governmental Funds \$364,382

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	\$606,600	
Depreciation Expense	(496,918)	
		109,682

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

Income Taxes	(\$128,546)	
Delinquent Property Taxes	(117,248)	
Intergovernmental	(141,764)	
Interest	503	
Special Assessments	6,502	
Other	(26,613)	
		(407,166)

Repayment of bond and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 113,125

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 33

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	\$67,219	
Change in Inventory	8,187	
		75,406

Change in Net Position of Governmental Activities \$255,462

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Taxes	\$603,568	\$603,568	\$666,428	\$62,860
Income Taxes	1,250,710	1,250,710	1,380,969	130,259
Charges for Services	285,513	285,513	315,249	29,736
Investment Earnings	6,572	6,572	7,256	684
Intergovernmental	118,514	118,514	130,857	12,343
Fines, Licenses & Permits	59,566	59,566	65,770	6,204
Other Revenues	20,714	20,714	22,871	2,157
Total Revenues	2,345,157	2,345,157	2,589,400	244,243
Expenditures:				
Current:				
General Government	669,138	696,966	598,677	98,289
Public Safety	1,274,567	1,327,573	1,140,353	187,220
Community Environment	466,953	486,372	417,782	68,590
Leisure Time	7,546	7,859	6,751	1,108
Public Health and Welfare	5,784	6,025	5,175	850
Debt Service:				
Principal Retirement	4,647	4,841	4,158	683
Total Expenditures	2,428,635	2,529,636	2,172,896	356,740
Excess of Revenues Over (Under) Expenditures	(83,478)	(184,479)	416,504	600,983
Other financing sources (uses):				
Transfers (Out)	(207,891)	(216,537)	(186,000)	30,537
Total Other Financing Sources (Uses)	(207,891)	(216,537)	(186,000)	30,537
Net Change in Fund Balance	(291,369)	(401,016)	230,504	631,520
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,348,806	1,348,806	1,348,806	0
Fund Balance End of Year	\$1,057,437	\$947,790	\$1,579,310	\$631,520

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Street Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$290	\$290	\$268	(\$22)
Intergovernmental	242,246	242,246	223,612	(18,634)
Other Revenues	2,405	2,405	2,220	(185)
Total Revenues	244,941	244,941	226,100	(18,841)
Expenditures:				
Current:				
Public Safety	9,682	9,682	8,837	845
Transportation and Street Repair	314,135	314,135	286,729	27,406
Total Expenditures	323,817	323,817	295,566	28,251
Excess of Revenues Over (Under) Expenditures	(78,876)	(78,876)	(69,466)	9,410
Other financing sources (uses):				
Transfers In	79,083	79,083	73,000	(6,083)
Total Other Financing Sources (Uses)	79,083	79,083	73,000	(6,083)
Net Change in Fund Balance	207	207	3,534	3,327
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	59,541	59,541	59,541	0
Fund Balance End of Year	\$59,748	\$59,748	\$63,075	\$3,327

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2013

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$56,206</u>
Total Assets	<u>56,206</u>
Liabilities:	
Undistributed Monies	<u>56,206</u>
Total Liabilities	<u>\$56,206</u>

See accompanying notes to the basic financial statements.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 1 – Reporting Entity and Basis of Presentation

The Village of Silverton (the “Village”) is a chartered municipal corporation operating under the laws of the State of Ohio. According to the book *The History of the City of Silverton* by Jim Replogle, European settlers first came to the area in the 1750’s. As the area became populated by 1809 it became known as Mosner, after the first general store owner, David Mosner. On June 13, 1884, Seth Haines and Robert Cresap subdivided property in the area and gave it the name of Silverton, in honor of Mr. Haines’ wife, the former Elizabeth Silver. On January 4, 1901, Silverton was incorporated as a Village. The population grew to 6,682 according to the Secretary of State’s proclamation dated December 5, 1960, declaring Silverton a City. As of the 2010 U.S. census, the official population dropped to 4,788, and Silverton returned to Village status.

The municipal government is known as a Council/Manager form of government. Legislative power is vested in a six-member council, with the Mayor’s position elected as a separate position. In 2011, the citizens approved converting from two-year elected terms to staggered 4-year terms, effective beginning with the election of 2013. The four officials with the most votes in the 2013 election serve four-year terms. The other three serve two-year terms to the 2015 election after which all elected officials will be converted to staggered four-year terms. The Council appoints a Village Manager who serves as the chief executive officer. He/she appoints all department heads and employees, except the Mayor and Solicitor. 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 Village consists of all funds and departments which are not legally separate from the Village. The Village provides various services including police protection, parks and recreation, planning, zoning, street maintenance and repair, and solid waste disposal. Village Council establishes policies and goals and approves the budget and the Village Manager is responsible for administering the budget and implementing the policies and goals through the operation and control of these activities.

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

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to proprietary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

and financial reporting principles. The more significant of the Village's accounting policies are described below.

Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net position 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 Village, however, has no business-type activities.

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental activities of the Village at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village'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 Village, 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 Village.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village 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 Village 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 Village 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 Village: governmental and fiduciary.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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 which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Village'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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the Village.

Street Maintenance Fund – This fund accounts for all revenues and expenditures pertaining to general street maintenance.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 Village has three agency funds; the Mayor's Court Fund, which is used to account for the collection and distribution of court fees, the Silverton Block Watch Fund, which is used to account for activity of a neighborhood block watch organization, and the Silverton Business Association fund.

Measurement Focus

Government-Wide Financial Statements

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

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

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

statements therefore include 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 inflows, 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 Village, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the Village 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 Village must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Village 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 Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Village, deferred inflows of resources include property taxes, income taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Village, unavailable revenue includes accounts, interest and special assessments. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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 Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. The Village'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. 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 2013 amounted to \$545. Interest revenue on the fund level credited to the Street Maintenance Fund amounted to \$268 and \$277 credited to Other Governmental Funds.

Materials and Supplies Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at cost. For all funds, cost is determined on a first-in, first-out

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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.

Capital Assets

All of the Village'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 position 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 Village maintains a capitalization threshold of five thousand dollars (\$5,000). 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 – 45 Years
Furniture, Fixtures and Equipment	5 – 20 Years
Vehicles	6 – 8 Years
Infrastructure	10 – 35 Years

The Village's infrastructure consists of streets, curbs and gutters, sidewalks, storm drains, fire hydrants and street lighting. The Village began reporting infrastructure in 2004 and infrastructure acquired from that date forward are 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 Village will compensate the employees for the benefits through paid time off or some other means.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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 Village 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, and who are within 10 years of retirement. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the Village'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 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, and compensated absences 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.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Village classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, Village Council.

Assigned – resources that are intended to be used for specific purposes as approved through the Village's formal purchasing procedure by the Finance Director.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The Village applies restricted resources first when an expense is incurred for purposes which both restricted and unassigned net position are available. The Village considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets 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 position 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 Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the Village's \$273,079 in restricted net position, none were restricted by enabling legislation.

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

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated through the process of consolidation.

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

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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 Village 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.

Note 3 – Change in Accounting Principle

GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Village.

Note 4 – Restatement

In prior periods, the Village had reported assets related to bond issuance costs in the Governmental and Business-Type Activities entity-wide financial statements and proprietary fund financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period's net position as follows:

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

	<u>Governmental Activities</u>
Net Position - December 31, 2012	\$4,985,317
Bond Issuance Costs	(16,838)
Restated Net Position - December 31, 2012	<u><u>\$4,968,479</u></u>

Note 5 – 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 and the Street Maintenance 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 an assignment of fund balance (GAAP basis).
4. Advances in and out are operating transactions (budget basis) as opposed to balance sheet transactions.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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>	<u>Street Maintenance</u>
GAAP Basis Adjustments	\$308,309	(11,853)
Revenue Accruals	36,286	4,268
Expenditure Accruals	(80,036)	11,119
Encumbrances	<u>(34,055)</u>	<u>0</u>
Budget Basis	<u>\$230,504</u>	<u>\$3,534</u>

Note 6 – Equity in Pooled Cash and Investments

The investment and deposit of Village monies are governed by the Ohio Revised Code. Additionally, the Village adopted an investment policy in 2006 which also governs investments. State statutes classify monies held by the Village 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 Village treasury, in commercial accounts payable 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 Village’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 Village 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;

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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 Village.

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 Village, 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 Village or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

Investment Type	Fair Value	Weighed Average Maturity (Years)
Federal Home Loan Bank	\$231,950	2.84
Fannie Mae	787,698	2.70
Freddie Mac	243,985	3.08
U.S. Treasury Notes	189,827	1.08
Money Market Funds	6,567	0.00
Total Fair Value	\$1,460,027	
Portfolio Weighted Average Maturity		2.56

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$430,779 of the Village's bank balance of \$680,779 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 Village to losses involving amounts exceeding insured limits.

Interest Rate Risk

The Village'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 Village, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Village'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 Village's investment in Federal Home Loan Bank, Fannie Mae, Freddie Mac and U.S. Treasury Notes were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in Money Market Funds were not rated.

Concentration of Credit Risk

The Village's investment policy does not place any limit on investments in any single issuer. All of the Village's investments are in the following:

Investment Type	Percent
Federal Home Loan Bank	16%
Fannie Mae	54%
Freddie Mac	17%
U.S. Treasury Notes	13%
Money Market Funds	0%
Total	100%

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 7 – Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property (other than public utility) located in the Village. 2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes were collected in and financed 2013 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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2013 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2013, 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 in 2009 for a four-year term ended 2013. In May, 2013, the voters approved a renewal of the 5 mil, 4-year levy to expire in 2017. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

	<u>Amount</u>
Real Property	\$79,702,580
Public Utility	<u>4,228,780</u>
Total	<u><u>\$83,931,360</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.

County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Silverton. The County Auditor periodically remits to the Village 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, 2013, 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 2013 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 8 – Receivables

Receivables at December 31, 2013, consisted of municipal income tax, property and other taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, accounts, and interest. All receivables are considered collectible in full and will be received within one year.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 9 – Income Tax

The Village levies a municipal income tax of 1.25% on substantially all income earned within the Village. In addition, the residents of the Village are required to pay income tax on income earned outside of the Village. The Village does not allow a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village monthly. 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 10 – Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$578,666	\$0	\$0	\$578,666
Total Capital Assets, not being depreciated	<u>578,666</u>	<u>0</u>	<u>0</u>	<u>578,666</u>
Capital Assets, being depreciated:				
Land Improvements	15,112	154,116	0	169,228
Buildings and Improvements	229,423	256,000	0	485,423
Furniture, Fixtures and Equipment	263,609	105,570	35,720	333,459
Vehicles	432,339	57,800	23,165	466,974
Infrastructure	4,991,727	33,114	0	5,024,841
Totals at Historical Cost	<u>6,510,876</u>	<u>606,600</u>	<u>58,885</u>	<u>7,058,591</u>
Less Accumulated Depreciation:				
Land Improvements	8,641	2,549	0	11,190
Buildings and Improvements	172,881	5,484	0	178,365
Furniture, Fixtures and Equipment	156,252	26,688	35,720	147,220
Vehicles	368,472	42,878	23,165	388,185
Infrastructure	2,163,923	419,319	0	2,583,242
Total Accumulated Depreciation	<u>2,870,169</u>	<u>496,918</u>	<u>58,885</u>	<u>3,308,202</u>
Governmental Activities Capital Assets, Net	<u>\$3,640,707</u>	<u>\$109,682</u>	<u>\$0</u>	<u>\$3,750,389</u>

Depreciation expense was charged to governmental functions as follows:

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

General Government	\$8,835
Public Safety	20,183
Leisure Time Activities	8,581
Community Environment	40,000
Transportation	419,319
Total Depreciation Expense	<u>\$496,918</u>

Note 11 – 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 member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members 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 Village is 14% of covered payroll. The contribution rates are determined actuarially. The Village's required contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$75,092, \$92,142, and \$110,696 respectively. The full amount was contributed for 2012 and 2011, and 91 percent was contributed for 2013, with December's withholding remitted in January, 2014.

Ohio Police and Fire Pension Fund

The Village 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

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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 Village) are required to contribute 19.5% for police officers and 24.0% for firefighters. The Village's contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 were \$115,046, \$161,428, and \$130,832, respectively. The full amount was contributed for 2012 and 2011, and 94 percent was contributed for 2013, with December's withholding remitted in January, 2014.

Note 12 – 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 card 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.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Village 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 contributions allocated to the health care for members in the Traditional Plan was 1% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. The OPERS Retirement Board is also authorized to establish rules for the 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 Village's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The Village's actual contributions for the current year, which were used to fund postemployment benefits, were \$5,362 for 2013, \$26,325 for 2012; and \$31,625 for 2011. The full amount was contributed for 2012 and 2011, and 91 percent was contributed for 2013, with December's withholding remitted in January, 2014.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description

The Village 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.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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 is 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. The portion of employee contributions allocated to health care was 4.69% of covered payroll for January 1, 2013 through May 31, 2013, and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. 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 Village's Records

The Village's contributions to OP&F were \$14,496 for police for the period of January 1, 2013 through May 31, 2013; and were \$8,015 for police for the period of June 1, 2013 through December 31, 2013; \$55,854 for police for the year ending December 31, 2012 and \$45,264 for police for the year ending December 31, 2011, respectively, was allocated to the healthcare plan. The actual contributions for 2011 and 2012 were 94% and has been contributed for 2013.

Note 13 – Risk Management

The Village 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 Village is a member of the

Village of Silverton, Ohio
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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 2013, the Village participated in a purchasing group sponsored by the Ohio Municipal League for workers compensation coverage. The intent of the Group 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 Group. Each participant pays its workers' compensation premium to the State based on the rate for the Group rather than an individual government rate.

Medical and prescription health insurance is offered to employees through a self-insurance pool. In August, 2009, the Village joined the Center for Local Government (CLG) pool, a sub-pool administered by OME-RESA. The plan is offered to CLG-member local governments in southwest Ohio. The CLG pool has 16 government members in 2013 in the Southwest Ohio Area.

Health insurance expense is charged to the funds which account for personnel costs: the General fund and the Street Maintenance Fund. 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", requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. The Village's independent third-party administrator has actuarially determined \$55,384 is the Village's share of the current insurance pool deficit (claims have exceeded premiums) and of incurred but not reported claims as of December 31, 2013. This claims liability is reported in the General fund and the Street Maintenance fund at December 31, 2013. Changes in claims activity for the past three fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2013	\$69,681	\$117,955	\$132,252	\$55,384
2012	115,577	104,326	150,222	69,681
2011	126,207	159,176	169,806	115,577

Note 14 – Long-Term Obligations

Changes in long-term obligations during 2013 were as follows:

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds</u>						
2010 Building Acquisition Bonds	2.65-5.00%	\$255,000	\$0	(\$15,000)	\$240,000	10,000
Total General Obligation Bonds		255,000	0	(15,000)	240,000	10,000
<u>OPWC Loans</u>						
Fire Hydrants	0.00%	125,072	0	(10,876)	114,196	10,876
Stoll Lane	0.00%	284,663	0	(22,773)	261,890	22,773
East Gatewood Lane	0.00%	102,440	0	(8,195)	94,245	8,195
Sampson Lane	0.00%	186,301	0	(12,848)	173,453	12,848
Plainfield Road South	0.00%	380,678	0	(25,378)	355,300	25,378
Belkenton and Grace Avenue	0.00%	145,698	0	(8,570)	137,128	8,570
East Avenue	0.00%	122,528	0	(5,327)	117,201	5,327
Total OPWC Loans		1,347,380	0	(93,967)	1,253,413	93,967
Total Bonds and Loans		1,602,380	0	(108,967)	1,493,413	103,967
Capital Lease		4,158	0	(4,158)	0	0
Compensated Absences		315,855	19,711	(126,300)	209,266	90,090
Total Governmental Activities Long-Term Debt		\$1,922,393	\$19,711	(\$239,425)	\$1,702,679	\$194,057

In October 2001, the Village 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 Village of Silverton is responsible for the OPWC fire hydrant loan payments; however, due to terms pertaining to the Joint Fire District, the Village of Deer Park is reimbursing the Village 70.61 percent of the loan payments.

In July 2002, the Village 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 Village 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 2012.

In December 2004 the Village finalized a loan agreement with the Ohio Public Works Commission for \$163,903, without interest, in street upgrades to East Gatewood Lane which were completed in 2004.

During 2006, improvements to Sampson Lane were completed. The Village 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 Village had received \$222,753 from the Ohio Public Works Commission. During 2008 an additional \$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 without interest.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

During 2008, improvements to Belkenton and Grace Avenue began. The Village had received \$171,411 from the Ohio Public Works Commission. Repayment of the loan began in 2010 without interest.

During 2009, improvements to East Avenue began. As of December 31, 2011, the Village received \$133,182 from the Ohio Public Works Commission. Repayment of the loan began in 2011 without interest.

On April 13, 2009, the Village issued 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 the Village issued Building Acquisition Bonds in the amount of \$930,000. The bonds were issued at an interest rate of 4.74% through 2029. On February 2, 2011, the Village partially defeased the 2010 Building Acquisition Bonds. This was a consequence of the sale of the building acquired with the bonds, plus the adjoining parking lot parcels, on December 9, 2010. The amount that was defeased was \$605,000.

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

Principal and interest requirements to retire the Village's outstanding obligations at December 31, 2013 were:

Year Ending December 31	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2014	\$15,000	\$10,675	\$93,970
2015	15,000	10,410	93,967
2016	15,000	10,000	93,970
2017	15,000	9,385	93,967
2018	15,000	8,770	93,970
2019-2023	75,000	34,445	469,841
2024-2028	75,000	15,650	267,868
2029-2033	15,000	750	35,205
2034-2035	0	0	10,655
Total	<u>\$240,000</u>	<u>\$100,085</u>	<u>\$1,253,413</u>

Note 15 – Interfund Activity

Individual fund at year end, consisted of the following transfers in and transfers out:

	Transfers	
	In	Out
General Fund	\$0	\$186,000
Street Maintenance	73,000	0
Other Governmental Funds	113,000	0
Total All Funds	<u>\$186,000</u>	<u>\$186,000</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

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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 Village of Silverton is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The Village 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 Village.

Federal and State Grants

For the period January 1, 2013, to December 31, 2013, the Village 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 Village believes such disallowance, if any, would be immaterial.

Note 17 – Joint Venture

The Village is a member of the Deer Park-Silverton Joint Fire District, which is a joint venture between the Village 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 Village appointing four of the trustees. The Village's ability to effect operations is limited to its representation on the Board. 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 Joint Fire District is not accumulated significant financial resources or experiencing fiscal distress that may cause additional burden to the Village.

NSP Grant	\$6,502
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Note 18 – Fund Balances

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

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Fund Balances	General	Street Maintenance	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$0	8,208	\$4,104	\$12,312
Prepays	21,817	3,177	0	24,994
Total Nonspendable	21,817	11,385	4,104	37,306
Restricted for:				
Street Maintenance	0	64,535	0	64,535
State Highway	0	0	73,068	73,068
Mayor's Court Computer	0	0	13,509	13,509
Recycling	0	0	3,379	3,379
Mayor's Court Special Project	0	0	5,671	5,671
Entry of Forfeiture	0	0	21,473	21,473
Drug Offender	0	0	4,880	4,880
Diehl Avenue Improvement	0	0	4,354	4,354
Capital Improvement			179,058	179,058
Park Improvement	0	0	1,328	1,328
Total Restricted	0	64,535	306,720	371,255
Committed to:				
Capital Equipment	0	0	61,323	61,323
Total Committed	0	0	61,323	61,323
Assigned to:				
Debt Service	0	0	2,268	2,268
Next Year's Budget	167,220	0	0	167,220
Total Assigned	167,220	0	2,268	169,488
Unassigned (Deficit)	1,429,202	0	(6,502)	1,422,700
Total Fund Balance	<u>\$1,618,239</u>	<u>75,920</u>	<u>\$367,913</u>	<u>\$2,062,072</u>

Note 19 – Subsequent Events

On October 2nd, 2014 the Village authorized the Village Manager to enter into contracts to purchase six real estate parcels for future economic development.

The total cost of these parcels is approximately \$2,000,000.

The purchase of three of the parcels is expected to be completed during 2014. Additionally, earlier in 2014 the city purchased two other parcels. The cost of these five parcels is expected to be funded by a Bond Anticipation Note to be issued in late 2014 for approximately \$1,560,000.

Village of Silverton, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

The remaining three purchases as authorized by Village Council are not expected to be finalized until 2015 and will be funded by another Bond Anticipation Note once they close.

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Dave Yost • Auditor of State

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

Village of Silverton
Hamilton County
6860 Plainfield Road
Silverton, Ohio 45236

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Silverton, Hamilton County, Ohio (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 18, 2014, wherein we noted that during the year ended December 31, 2013, the Village adopted the provisions of Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Villages' 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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 18, 2014

VILLAGE OF SILVERTON
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

FINDING NUMBER 2013-001

Noncompliance

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

The Village does not encumber any expenditure less than \$1,000. The Village has a written internal procedure document instituted by the Village Manager which allows them to only encumber expenditures above \$1,000. However, this policy has not been either approved by the Village Council or added to the Village's Charter.

Nine of the seventeen (53%) non-payroll transactions in the sample tested for fiscal year 2013 were not properly encumbered.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend that the Village officials and employees comply with the Ohio Revised Code and obtain the Finance Director's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification prior to the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. We also recommend that Village's Council approve the purchasing procedure and add this as a policy to the Village's Charter if they intend to continue the practice of only encumbering obligations exceeding \$1,000.

Officials' Response:

Management's goal is to comply with the requirement, and we will continue to strive to encumber proposed expenditures of \$1,000 or more.

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Dave Yost • Auditor of State

VILLAGE 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
JANUARY 06, 2015**