



**VILLAGE OF SILVER LAKE  
SUMMIT COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF SILVER LAKE  
SUMMIT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Modified Cash Basis .....	13
Statement of Activities – Modified Cash Basis.....	14
Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds.....	15
Statement of Cash Receipts, Disbursement and Changes in Modified Cash Basis Fund Balances Governmental Funds.....	16
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis General Fund .....	17
Statement of Net Assets Proprietary Funds.....	18
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets Modified Cash Basis Proprietary Funds.....	19
Statement of Fiduciary Net Assets – Modified Cash Basis Fiduciary Fund .....	20
Notes to the Financial Statements .....	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	39

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Silver Lake, Summit County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Silver Lake, Summit County, Ohio, as of December 31, 2007, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

September 30, 2008

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

This discussion and analysis of the Village of Silver Lake, Summit County, Ohio, (the Village) financial performance provides an overview of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased \$6,757, or less than 1% indicating a stable income vs. expense environment.

The Village's general receipts are primarily property taxes, grants and entitlements not restricted to specific programs and income taxes. These receipts represent respectively 38, 22, and 20 percent of the total cash received for governmental activities during the year. Property taxes decreased \$18,130 or 2 percent for 2007 as compared to 2006; and income tax receipts for 2007 increased \$85,812 or 19 percent over 2006 and grants and entitlements increased by \$138,977 or 32 percent over 2006.

The water operation of the Village had an operating income of \$5,637 while the sewer operations had an operating loss of \$93,159. The loss is due to the start of the Silver Lake Heights Sanitary Sewer Rehabilitation Project which will be completed in 2008.

The Village paid \$295,270 to the City of Stow last year as part of its contract for Fire, EMS and Dispatch services provided by the City.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has three business-type activities, the provision of water, sewer and storm water. Council has also set up two funds to accumulate monies for capital projects specifically related to water and sewer activities; water capital fund and sewer capital fund. A utility deposits fund has been set up for new customers to assure timely payments of utility invoices. Business-type activities are financed by a fee charged to the customers receiving the service.



Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village has two major governmental funds: the general fund and the general capital projects fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village currently has six enterprise funds, the water fund, the sewer fund, the water capital fund, the sewer capital fund, the storm water fund and the utilities deposits fund.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water, Sewer, and Water Capital funds.

**Water Fund** - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The sewer fund has a related Sewer Capital Fund which consists of monies set aside for the improvement of sewer facilities.

**Water Capital Fund** - By ordinance, 10 percent of water fund receipts, up to \$30,000, are directly deposited into the water capital fund for the provision of improvements to water facilities. During July, 2006, Council suspended this practice for the balance of 2006 and all of 2007.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village currently has two fiduciary funds: the Silver Lake School Playground Fund and the Metro SWAT Agency Fund.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 as compared to 2006 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Cash and Cash Equivalents	<u>\$1,853,380</u>	<u>\$1,860,137</u>	<u>\$1,365,487</u>	<u>\$1,159,510</u>	<u>\$3,218,867</u>	<u>\$3,019,647</u>
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$34,512	\$39,045			\$34,512	\$39,045
Capital Projects	314,611	249,711			314,611	249,711
Other Purposes	334,568	306,232			334,568	306,232
Unrestricted	<u>1,169,689</u>	<u>1,265,149</u>	<u>1,365,487</u>	<u>1,159,510</u>	<u>2,535,176</u>	<u>2,424,659</u>
Total Net Assets	<u>\$1,853,380</u>	<u>\$1,860,137</u>	<u>\$1,365,487</u>	<u>\$1,159,510</u>	<u>\$3,218,867</u>	<u>\$3,019,647</u>

As mentioned previously, net assets of governmental activities decreased \$6,757 or less than 1 percent during 2007.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

Table 2 reflects the changes in net assets in 2007 compared to 2006:

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	\$62,937	\$62,922	\$934,062	\$909,035	\$996,999	\$971,957
Operating Grants and Contributions	134,003	228,828			134,003	228,828
Capital Grants	149,946	58,303			149,946	58,303
<b>Total Program Receipts</b>	<b>346,886</b>	<b>350,053</b>	<b>934,062</b>	<b>909,035</b>	<b>1,280,948</b>	<b>1,259,088</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	1,002,805	1,020,935			1,002,805	1,020,935
Income Taxes	528,269	442,457			528,269	442,457
<b>Grants and Entitlements</b>						
Not Restricted to Specific Programs	576,820	437,843			576,820	437,843
Interest	176,883	127,777			176,883	127,777
Rebates & Reimbursements	4,051	1,088			4,051	1,088
Miscellaneous	19,958	1,937	18		19,976	1,955
<b>Total General Receipts</b>	<b>2,308,786</b>	<b>2,032,037</b>	<b>18</b>		<b>2,308,804</b>	<b>2,032,055</b>
<b>Total Receipts</b>	<b>2,655,672</b>	<b>2,382,090</b>	<b>934,080</b>	<b>909,035</b>	<b>3,589,752</b>	<b>3,291,143</b>
<b>Disbursements:</b>						
General Government	376,355	465,566			376,355	465,566
Security of Persons and Property	1,132,489	1,176,984			1,132,489	1,176,984
Public Health Services	27,396	27,533			27,396	27,533
Leisure Time Activities	89,274	162,221			89,274	162,221
Community Environment	3,141	2,037			3,141	2,037
Transportation	549,129	453,177			549,129	453,177
Capital Outlay	165,056	78,007			165,056	78,007
Principal Retirement	10,000	5,000	91,183	88,341	101,183	93,341
Interest and Fiscal Charges	5,843	6,150	47,869	45,103	53,712	51,253
Water			423,669	396,165	423,669	396,165
Sewer			411,464	270,009	411,464	270,009
Utilities Deposits			4,450	11,841	4,450	11,841
Water Capital			19,440	2,103	19,440	2,103
Sewer Capital			5,552	16,815	5,552	16,815
Storm Water			28,081	28,529	28,081	28,529
<b>Total Disbursements</b>	<b>2,358,683</b>	<b>2,376,675</b>	<b>1,031,708</b>	<b>858,906</b>	<b>3,390,391</b>	<b>3,235,581</b>
Excess (Deficiency) Before Transfers	296,989	5,415	(97,628)	50,129	199,361	55,562
Transfers	(303,746)	(46,329)	303,605	46,204	(141)	(125)
<b>Increase (Decrease) in Net Assets</b>	<b>(6,757)</b>	<b>(40,914)</b>	<b>205,977</b>	<b>96,333</b>	<b>199,220</b>	<b>55,437</b>
Net Assets, January 1	1,860,137	1,901,051	1,159,510	1,063,177	3,019,647	2,964,228
<b>Net Assets, December 31</b>	<b>\$1,853,380</b>	<b>\$1,860,137</b>	<b>\$1,365,487</b>	<b>\$1,159,510</b>	<b>\$3,218,867</b>	<b>\$3,019,665</b>

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

Program receipts represent 36 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees.

General receipts represent 64 percent of the Village's total receipts, and of this amount, 66 percent are local taxes. Interests from investments make up the balance of the Village's general receipts (10 percent). Grants and entitlements not restricted to specific purposes make up 25 percent. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the clerk-treasurer, administrative and income tax departments, as well as other services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to less than 25 percent of Governmental Activities unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the community environment department promotes compliance with community and zoning requirements which keep the Village an attractive option for housing; and Transportation is the cost of maintaining the roads.

### **Governmental Activities**

If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account respectively for 23 percent and 48 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 16 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

(Table 3)  
**Governmental Activities**

	Total Cost Of Services 2007	Total Cost Of Services 2006	Net Cost Of Services 2007	Net Cost Of Services 2006
General Government	\$376,355	\$465,566	(\$340,985)	(\$381,124)
Security of Persons and Property	1,132,489	1,176,984	(1,108,535)	(1,143,723)
Public Health Services	27,396	27,533	(27,396)	(27,533)
Leisure Time Activities	89,274	162,221	(89,274)	(162,221)
Community Environment	3,141	2,037	144	(87)
Transportation	549,129	453,177	(432,362)	(332,365)
Capital Outlay	165,056	78,007	(7,118)	21,771
Principal Retirement	10,000	5,000	(428)	4,810
Interest and Fiscal Charges	5,843	6,150	(5,843)	(6,150)
<b>Total Expenses</b>	<b>\$2,358,683</b>	<b>\$2,376,675</b>	<b>(\$2,011,797)</b>	<b>(\$2,026,622)</b>

The dependence upon property and income tax receipts is apparent as over 65 percent of governmental activities are supported through these general receipts.

**Business-Type Activities**

The water operation of the Village experienced a net operating income of \$5,637 and ended the year with a \$105,072 net asset balance. A transfer of \$45,000 from the General Fund to the Water fund was made mid-year to shore up a dwindling fund balance. A water rate increase went into effect in July. Beginning in 2008, 10% of all water revenues (up to \$30,000) will once again be receipted into the water capital fund to pay for future capital projects.

The sewer operation of the Village experienced a net operating loss of \$93,159 but ended with a healthy \$829,604 net asset balance. The Village has begun improvements in the Silver Lake Heights area to mitigate inflow and infiltration (I&I) problems which cause sewer and storm water backups into residential homes.

**The Village's Funds**

Total governmental funds had receipts and other financing sources of \$2,775,416 and disbursements and other financing uses of \$2,782,173. The greatest changes within governmental funds occurred within the General Fund and the General Capital Projects Fund. The fund balance of the General Capital Projects Fund increased \$64,903 resulting from the completion of various Village projects in the prior year.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

General Fund disbursements and other financing uses were more than receipts and other financing sources by \$95,460 indicating the General Fund is in a deficit situation.

**General Fund Budgeting Highlights**

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

During 2007, the Village amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above original budgeted receipts due to increased receipts in Intergovernmental Revenues. The major difference between final budgeted receipts and actual receipts, or \$305,150, was due to unanticipated collection of investment earnings and inheritance taxes.

Final disbursements and other financing uses were budgeted at \$2,600,078 while actual disbursements and other financing uses were \$2,444,351. The Village kept spending below budgeted amounts as demonstrated by the reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village currently keeps track of its capital assets and infrastructure for insurance purposes.

**Debt**

At December 31, 2007, the Village's outstanding debt included \$85,000 in general obligation bonds issued for various improvements to buildings, streets, and curbs, and \$500,688 in Ohio Water Development Authority loans, \$682,946 in Ohio Public Works Commission loans, and \$505,950 in a Summit County Department of Environmental Services loan for sewer facilities improvements. For further information regarding the Village's debt, refer to Note 11 on Pages 35 and 36, to the basic financial statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little commercial establishments to support the tax base. Our newly prepared financial forecast predicts a deficit for 2008; however, it is "planned spending" in order to efficiently and effectively use excess funds remaining in the General Fund for the betterment of the Village. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. For the most part, all departments have kept spending for operations at 2007 levels.

Village of Silver Lake  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

**Contacting the Village of Silver Lake's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Teresa M. Spohn, MMC, CPFA, Clerk-Treasurer, Village of Silver Lake, 2961 Kent Road, Silver Lake, Ohio 44224-3098, Phone: 330-923-5233, Fax: 330-923-6965 or e-mail: [clerk-treasurer@villageofsilverlake.com](mailto:clerk-treasurer@villageofsilverlake.com).

**This page intentionally left blank.**



**Village of Silver Lake  
Summit County**

*Statement of Net Assets - Modified Cash Basis  
December 31, 2007*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$1,853,380	\$1,365,487	\$3,218,867
<b>Restricted Net Assets</b>			
Debt Service	\$34,512		\$34,512
Capital Projects	314,611		314,611
Other Purposes	334,568		334,568
Total Restricted Net Assets	683,691		683,691
<i>Unrestricted Net Assets</i>	1,169,689	\$1,365,487	2,535,176
<b>Total Net Assets</b>	<b>\$1,853,380</b>	<b>\$1,365,487</b>	<b>\$3,218,867</b>

See accompanying notes to the basic financial statements

**Village of Silver Lake  
Summit County**

*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2007*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
Capital Outlay	\$165,056	\$17,564		\$140,374	(\$7,118)		(\$7,118)
Community Environment	3,141	3,285			144		144
Debt Service - Interest	5,843				(5,843)		(5,843)
Debt Service - Principal	10,000			9,572	(428)		(428)
General Government	376,355	22,496	\$12,874		(340,985)		(340,985)
Leisure Time Activities	89,274				(89,274)		(89,274)
Public Health Services	27,396				(27,396)		(27,396)
Security of Persons and Property	1,132,489	19,592	4,362		(1,108,535)		(1,108,535)
Transportation	549,129		116,767		(432,362)		(432,362)
<b>Total Governmental Activities</b>	<b>2,358,683</b>	<b>62,937</b>	<b>134,003</b>	<b>149,946</b>	<b>(2,011,797)</b>		<b>(2,011,797)</b>
<b>Business Type Activities</b>							
Sewer Capital Fund	5,552					(\$5,552)	(5,552)
Sewer Fund	550,516	457,274				(93,242)	(93,242)
Storm Water Utility	28,081	39,332				11,251	11,251
Utility Trust Deposits	4,450	8,150				3,700	3,700
Water Capital Fund	19,440					(19,440)	(19,440)
Water Fund	423,669	429,306				5,637	5,637
<b>Total Business Type Activities</b>	<b>1,031,708</b>	<b>934,062</b>		<b>0</b>		<b>(97,646)</b>	<b>(97,646)</b>
<b>Total</b>	<b>\$3,390,391</b>	<b>\$996,999</b>	<b>\$134,003</b>	<b>\$149,946</b>	<b>(\$2,011,797)</b>	<b>(\$97,646)</b>	<b>(\$2,109,443)</b>
<b>General Receipts and Transfers</b>							
Property and Other Local Taxes:				\$1,002,805			\$1,002,805
Grants & Entitlements Not Restricted to Specific Programs				576,820			576,820
Income Taxes				528,269			528,269
Earnings on Investments				176,883			176,883
Miscellaneous				19,958		18	19,976
Miscellaneous Rebates and Reimbursement				4,051			4,051
<b>Total General Receipts</b>				<b>2,308,786</b>		<b>18</b>	<b>2,308,804</b>
Transfers				(303,746)		\$303,605	(141)
<i>Total General Receipts and Transfers</i>				<b>2,005,040</b>		<b>303,623</b>	<b>2,308,663</b>
Change in Net Assets				(6,757)		205,977	199,220
<i>Net Assets Beginning of Year</i>				<u>1,860,137</u>		<u>1,159,510</u>	<u>3,019,647</u>
<i>Net Assets End of Year</i>				<u><b>\$1,853,380</b></u>		<u><b>\$1,365,487</b></u>	<u><b>\$3,218,867</b></u>

See accompanying notes to the basic financial statements

**Village of Silver Lake  
Summit County**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007*

	General	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$1,169,689	\$314,611	\$369,080	\$1,853,380
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$12,695	\$1,813	\$314,155	\$328,663
Unreserved:				
General Fund	1,156,994			1,156,994
Special Revenue Funds			20,413	20,413
Capital Projects Funds		312,798		312,798
Debt Service			34,512	34,512
<i>Total Fund Balances</i>	<u>\$1,169,689</u>	<u>\$314,611</u>	<u>\$369,080</u>	<u>\$1,853,380</u>

See accompanying notes to the basic financial statements

**Village of Silver Lake  
Summit County**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007*

	General	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$980,926		\$21,879	\$1,002,805
Income Taxes	528,269			528,269
Intergovernmental	590,978		119,853	710,831
Special Assessments		\$17,564	9,572	27,136
Charges for Services	1,835		300	2,135
Fines, Licenses, and Permits	42,474		764	43,238
Earnings on Investments	168,264		8,619	176,883
Miscellaneous	17,960		550	18,510
<i>Total Receipts</i>	<u>2,330,706</u>	<u>17,564</u>	<u>161,537</u>	<u>2,509,807</u>
<b>Disbursements</b>				
Security of Persons and Property	1,107,194		25,295	1,132,489
Public Health Services	27,396			27,396
Leisure Time Activities	73,642	14,987	645	89,274
Community Environment	3,141			3,141
Transportation	425,246	16,995	106,888	549,129
General Government	371,548	4,150	657	376,355
Capital Outlay		24,682	140,374	165,056
Debt Service - Principal			10,000	10,000
Debt Service - Interest			5,843	5,843
<i>Total Disbursements</i>	<u>2,008,167</u>	<u>60,814</u>	<u>289,702</u>	<u>2,358,683</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>322,539</u>	<u>(43,250)</u>	<u>(128,165)</u>	<u>151,124</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	5,491			5,491
Transfers In		108,150	11,594	119,744
Transfers Out	(423,490)			(423,490)
Proceeds of Loans			140,374	140,374
<i>Total Other Financing Sources (Uses)</i>	<u>(417,999)</u>	<u>108,150</u>	<u>151,968</u>	<u>(157,881)</u>
<i>Net Change in Fund Balances</i>	<u>(95,460)</u>	<u>64,900</u>	<u>23,803</u>	<u>(6,757)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,265,149</u>	<u>249,711</u>	<u>345,277</u>	<u>1,860,137</u>
<i>Fund Balances End of Year</i>	<u>\$1,169,689</u>	<u>\$314,611</u>	<u>\$369,080</u>	<u>\$1,853,380</u>

See accompanying notes to the financial statements

**Village of Silver Lake**  
**Summit County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,446,510	\$1,446,510	\$1,509,195	\$62,685
Intergovernmental	468,596	468,596	590,978	122,382
Special Assessments	700	700		(700)
Charges for Services	2,200	2,200	1,630	(570)
Fines, Licenses and Permits	45,850	45,850	42,477	(3,373)
Earnings on Investments	60,000	60,000	168,264	108,264
Miscellaneous	1,700	1,700	18,162	16,462
<i>Total Receipts</i>	<u>2,025,556</u>	<u>2,025,556</u>	<u>2,330,706</u>	<u>305,150</u>
<b>Disbursements</b>				
Security of Persons and Property	1,180,708	1,190,208	1,114,081	76,127
Public Health Services	27,396	27,396	27,396	
Leisure Time Activities	77,325	77,325	74,252	3,073
Community Environment	5,260	5,260	3,141	2,119
Transportation	453,264	453,264	426,251	27,013
General Government	414,975	419,725	375,740	43,985
<i>Total Disbursements</i>	<u>2,158,928</u>	<u>2,173,178</u>	<u>2,020,861</u>	<u>152,317</u>
<b>Other Financing Sources (Uses)</b>				
Miscellaneous Cash Awards			1,440	1,440
Miscellaneous Rebates and Reimbursements	1,000	1,000	4,051	3,051
Sale of Equipment	2,000	2,000		(2,000)
Transfers Out	(260,000)	(260,000)	(256,594)	3,406
Transfers Out - Interest	(60,000)	(166,900)	(166,896)	4
<i>Total Other Financing Sources (Uses)</i>	<u>(317,000)</u>	<u>(423,900)</u>	<u>(417,999)</u>	<u>5,901</u>
<i>Net Change in Fund Balance</i>	<u>(450,372)</u>	<u>(571,522)</u>	<u>(108,154)</u>	<u>463,368</u>
<i>Fund Balance Beginning of Year</i>	<u>1,253,561</u>	<u>1,253,561</u>	<u>1,253,561</u>	
Prior Year Encumbrances Appropriated	<u>11,587</u>	<u>11,587</u>	<u>11,587</u>	
<i>Fund Balance End of Year</i>	<u><u>\$814,776</u></u>	<u><u>\$693,626</u></u>	<u><u>\$1,156,994</u></u>	<u><u>\$463,368</u></u>

See accompanying notes to the basic financial statements

**Village of Silver Lake  
Summit County**

*Statement of Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2007*

---



---

	Business Type Activities				Total
	Water Fund	Sewer Fund	Water Capital Fund	Other Enterprise Funds	
<b>Assets</b>					
Cash and Cash Equivalents	\$105,072	\$829,604	\$246,752	\$184,059	\$1,365,487
<b>Net Assets</b>					
Fund Balance - Unrestricted	105,072	829,604	246,752	184,059	1,365,487
<i>Total Net Assets</i>	\$105,072	\$829,604	\$246,752	\$184,059	\$1,365,487

See accompanying notes to the basic financial statements

**Village of Silver Lake**  
**Summit County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Net Assets - Modified Cash Basis*  
*Proprietary Fund*  
*For the Year Ended December 31, 2007*

	Business-Type Activities				Total
	Water Fund	Sewer Fund	Water Capital Fund	Other Funds	
<b>Operating Receipts</b>					
Charges for Services	\$427,915	\$457,179		\$39,332	\$924,426
Deposits				8,150	8,150
Other - Utilities	1,391				1,391
Other - Charges for Services		70			70
Other - Licenses and Permits		25			25
<i>Total Operating Receipts</i>	<u>429,306</u>	<u>457,274</u>	<u>0</u>	<u>47,482</u>	<u>934,062</u>
<b>Operating Disbursements</b>					
Billing - Water	77,644				77,644
Supply/Purchase - Water	346,025				346,025
Billing - Sanitary and Sewage		211,374			211,374
Other - Sanitary and Sewage		55,282			55,282
Other - Storm Sewers and Drains				28,077	28,077
Capital Outlay		144,769	\$19,440	5,552	169,761
Debt Service - Principal		91,183		0	91,183
Debt Service - Interest		47,825		0	47,825
<i>Total Operating Disbursements</i>	<u>423,669</u>	<u>550,433</u>	<u>19,440</u>	<u>33,629</u>	<u>1,027,171</u>
<i>Operating Income (Loss)</i>	5,637	(93,159)	(19,440)	13,853	(93,109)
<b>Non-Operating Receipts and Disbursements</b>					
Transfers- In	45,000	200,000	15,016	43,589	303,605
Other Financing Sources	18				18
Other Financing Uses		(84)		(4,453)	(4,537)
<i>Total Non-Operating Receipts and Disbursements</i>	<u>45,018</u>	<u>199,916</u>	<u>15,016</u>	<u>39,136</u>	<u>299,086</u>
<i>Change in Net Assets</i>	50,655	106,757	(4,424)	52,989	205,977
<i>Net Assets Beginning of Year</i>	<u>54,417</u>	<u>722,847</u>	<u>251,176</u>	<u>131,070</u>	<u>1,159,510</u>
<i>Net Assets End of Year</i>	<u>\$105,072</u>	<u>\$829,604</u>	<u>\$246,752</u>	<u>\$184,059</u>	<u>\$1,365,487</u>

See accompanying notes to the basic financial statements

**Village of Silver Lake**  
**Summit County**

*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2007*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$105,726</u>
<b>Net Assets</b>	
Unrestricted	<u>\$105,726</u>

See accompanying notes to the basic financial statements



**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 1 – Reporting Entity**

The Village of Silver Lake, Summit County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member Council elected three (3) at large and four (4) by district for four year terms. The Mayor is elected to a four-year term and has no voting privileges.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer and storm water utilities, maintenance of Village roads, park operations, and police services. The Village appropriates general fund money to support a contract with the City of Stow for police dispatch, fire, and emergency medical services.

**B. Component Units**

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 support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets 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 statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds 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 and enterprise 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.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund and General Capital Projects Fund. The General Fund is used to account 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. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose. The General Capital Projects Fund is used to account for capital equipment purchased and capital projects completed by the Village.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water, Sewer, and Water Capital funds.

**Water Fund** - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The sewer fund has a related Sewer Capital Fund which consists of monies set aside for the improvement of sewer facilities.

**Water Capital Fund** – The water capital fund accounts for the provision of funding present and future capital projects related to the Village water distribution system. Other income to the fund was derived from the General Fund in the form of transfers for interest.

**Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no trust funds during the reporting year. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

The Village currently has two agency funds:

The Silver Lake School Playground Fund which was established in 1999 to provide current and future maintenance and purchase of playground equipment at Silver Lake Elementary School.

The Metro SWAT Agency Fund which was established in 2004 to account for the activities related to the Metro SWAT Team. Metro SWAT provides mutual aid to member political subdivision for response to any incident where special weapons and tactics are needed to contain an incident or rescue people that have been taken hostage.

**C. Basis of Accounting**

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. 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 reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

**D. Budgetary Process (continued)**

The appropriations ordinance 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 ordinance 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 the Village Council during the year.

As part of the formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2007, the Village invested in three money market accounts and STAR Ohio. The Village’s money market account is recorded at the amount reported by JP Morgan Chase Bank (fka Bank One) at December 31, 2007.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$168,264 part of which was transferred, by resolution, to the general capital fund (\$108,150), water capital fund (\$15,016), sewer capital fund (\$43,589), and the Silver Lake School Playground Projects Fund (\$141).

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no assets restricted in this manner.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items would not be reflected as assets and liabilities in the accompanying financial statements. During 2007, the Village had no advances.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting, however, an accrued liabilities fund has been created to set aside resources from which employees who have accumulated unpaid leave are paid.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**O. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. The total transfers-in and transfers-out on the Statement of Activities differ by \$141. The reason for this difference is due to interest being transferred to the Silver Lake School Playground Fund which is an agency fund, which is not shown in the government-wide financial statements.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances which

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 3 – Budgetary Basis of Accounting (continued)**

are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$12,695 for the general fund. There were no outstanding advances at year end.

**Note 4 - Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active 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. Interim monies are those 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 or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;



**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 4 - Deposits and Investments (continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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.

Deposits

Custodial credit risk 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 year end, \$1,958,669 of the Village's bank balance of \$2,258,669 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent (105%) of the deposits being secured.

Investments

As of December 31, 2007, the Village had the following investments

	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
STAR Ohio	<u>\$1,183,998</u>	<u>\$1,183,998</u>

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 4 - Deposits and Investments (continued)**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Note 5- Income Taxes**

The Village levies a 2 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 2 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 6- Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 6– Property Taxes (continued)**

The full tax rate for all Village operations for the year ended December 31, 2007, was \$13.75 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Residential/Agriculture Real Value	\$ 80,494,480
Other Real Property	2,755,460
Public Utility Personal Value	<u>763,280</u>
Total-Real Value	84,013,220
Personal Tangible Value	<u>334,533</u>
Total Value-Real and Tangible	<u>\$ 84,347,753</u>

**Note 7 - Capital Assets**

The Village does not report and depreciate capital assets resulting from cash transactions.

**Note 8– 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 maintains commercial insurance coverages for Public Officials Liability, Automobile Collision and Liability, Law Enforcement, Employment Practices, Property/Inland Marine and an Umbrella Policy. The total premiums for 2007 totaled \$27,121.

The Village also provides health and life insurances, dental, and vision care to full-time employees through a private carrier. The premiums for these employee benefits 2007 totaled \$161,660.

**Note 9 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their gross wages and the Village contributed an amount equal to 8.35 percent of participants' gross salaries. The Ohio Revised Code provides statutory authority for member and employer contributions.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 9 - Defined Benefit Pension Plans (continued)**

**A. Ohio Public Employees Retirement System (continued)**

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$62,524, \$64,731, and \$62,444, respectively. The full amount has been contributed for 2006 and 2005 while 91.93 percent was contributed for 2007.

**B. 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 benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2007, 2006, and 2005 were \$56,831, \$49,757, and \$50,228, respectively. The full amount has been contributed for 2006 and 2005 while 77.08 percent has been contributed for 2007.

**Note 10- Post Employment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government employers." A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.7 percent for public safety and law enforcement). The portion of allocated to health care was 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006 include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 10- Post Employment Benefits (continued)**

**A. Ohio Public Employees Retirement System (continued)**

Health care premiums were assumed to increase at the projected rate of inflation plus an additional factor ranging from 0.50 percent to 5.00 percent annually for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4 percent.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$41,183. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the postemployment health care program during 2007. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 that were used to fund postemployment benefits were \$30,087 for police. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$102,373,722, which was net of member contributions of \$55,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

**Note 10- Post Employment Benefits (continued)**

C. Social Security System Council members not otherwise covered by OPERS are covered by Social Security. The Village's liability is 6.2 percent of wages paid.

**Note 11- Debt**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1996 Issue (Original Amount \$ 260,000)	6.1%	\$ 95,000	\$ 0	\$ 10,000	\$ 85,000	\$ 10,000
<u>Business-Type Activities</u>						
2000 OWDA Loan (Original Amount \$135,840)	3.5%	98,555	0	6,105	92,450	6,320
2002 OWDA Loan (Original Amount \$188,682)	4.16%	147,476	0	7,590	139,886	7,909
2002 OWDA Loan (Original Amount \$158,574)	3.64%	126,355	0	6,195	120,160	6,423
2003 OWDA Loan (Original Amount \$179,779)	3.03%	<u>155,585</u>	<u>0</u>	<u>7,393</u>	<u>148,192</u>	<u>7,619</u>
Total for OWDA Loans		<u>527,971</u>	<u>0</u>	<u>27,283</u>	<u>500,688</u>	<u>28,271</u>
1996 Issue 2 Loan (Original Amount \$73,842)	0%	33,229	0	3,692	29,537	3,692
1999 Issue 2 Loan (Original Amount \$200,624)	0%	125,391	0	10,031	115,360	10,031
2002 Issue 2 Loan (Original Amount \$184,061)	0%	143,126	0	9,234	133,892	9,234
2002 Issue 2 Loan (Original Amount \$159,263)	0%	123,429	0	7,963	115,466	7,963
2004 Issue 2 Loan (Original Amount \$179,779)	0%	157,306	0	8,989	148,317	8,989
2007 Issue 2 Loan (Original Amount \$140,374)		<u>0</u>	<u>140,374</u>	<u>0</u>	<u>140,374</u>	<u>4,679</u>
Total Issue 2 Loans		<u>582,481</u>	<u>140,374</u>	<u>39,909</u>	<u>682,946</u>	<u>44,588</u>
2000 Summit County Dept. of Environmental Services Mudbrook Improvements (Original Amount \$660,235)	6.1%	<u>529,941</u>	<u>0</u>	<u>23,991</u>	<u>505,950</u>	<u>25,383</u>

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

**Note 11– Debt (continued)**

The Ohio Water Development Authority (OWDA) loans relate to sanitary sewer system improvements projects. The loans will be repaid in semiannual installments totaling approximately \$22,970, including interest, over the next 15 to 20 years. The loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Adjustments to the principal balances were for interest charged and paid and then credited by OWDA to the principal balance.

The Village has pledged future revenues to repay the OWDA Loans. The loans are payable solely from the City’s sewer receipts. Annual principal and interest payments on the loans are expected to require 10 percent of revenues. The total principal and interest remaining to be paid on the loans is \$640,766. Principle and interest paid for the current year were \$45,940, and sewer receipts were \$457,179.

The general obligation bonds relate to the financing of various sidewalk and curbing projects completed in the Village during the early 1990’s. The general obligation bonds are being paid for by special assessments to the affected property owners.

The Issue 2 (aka Ohio Public Works Commission) loans were obtained for the purpose of paying for the costs of sanitary sewer improvements to the Village’s sewer system. The loans will be repaid in semi-annual installments totaling approximately \$27,424 over the next 10 to 30 years.

The Village is paying semiannual installments to the Summit County Department of Environmental Services for the village’s pro-rata share of capital improvements made to the Mudbrook Trunk Sewer System which the Village utilizes as part of its wastewater treatment facilities contract. The semi-annual installments total approximately \$26,600 over the next 10 to 20 years.

The following is a summary of the Village’s future annual debt service requirements:

Year	General Obligation Bonds		OWDA Loans		Issue 2 Loans		Summit County	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 10,000	\$ 5,228	\$ 28,271	\$ 17,667	\$ 44,588	\$	\$ 25,383	\$ 27,831
2009	10,000	4,613	29,296	16,643	44,588		26,909	26,351
2010	10,000	3,998	30,357	15,582	44,589		28,360	24,781
2011	10,000	3,383	31,458	14,481	44,589		21,814	23,054
2012	10,000	2,768	32,599	13,340	44,589		22,860	21,963
2013 – 2017	35,000	4,304	181,640	48,055	215,558		179,890	87,641
2018 – 2022			161,131	14,220	160,774		200,734	28,334
2023 – 2027			5,936	90	36,879			
2028 – 2032					23,396			
2033 – 2037					23,396			
Totals	<u>\$ 85,000</u>	<u>\$ 24,294</u>	<u>\$500,688</u>	<u>\$140,078</u>	<u>\$682,946</u>	<u>\$ 0</u>	<u>\$ 505,950</u>	<u>\$239,955</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$8,308,173 and an unvoted debt margin of \$4,089,435.

**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 12– Leases**

The Village leases postage metering equipment. The Village disbursed \$1,037 to pay lease costs for the year ended December 31, 2007. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$1,656
2009	1,656
2010	828

**Note 13– Interfund Transfers**

During 2007 the following transfers were made:

Transfers from the General fund to:	
Major Governmental Funds	\$108,150
Other Governmental Funds	11,594
Major Enterprise Funds	260,016
Other Enterprise Funds	43,589
Agency Fund	<u>141</u>
Total	\$ <u>423,490</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 14 - Compensated Absences**

The criteria for determining vacation and sick leave components are derived from Village ordinances and State laws. Full-time and regular part-time employees earn and accumulate varying hours of vacation per year, depending upon length of service. Maximum vacation accumulations range from 80 to 200 hours, depending upon length of service. All accumulated unused vacation time is paid out upon termination of employment.

Employees earn sick leave at the rate of 4.6 hours for each regular 80 hours of service. Sick leave may be accumulated indefinitely; however, cash payment for accumulated leave upon death, retirement or resignation from the Village (with ten or more years of service) is limited to one-fourth the value of the earned but unused sick leave credit. Such payment shall be based on the employee's rate of pay at the time of resignation, retirement, or death.

In 2003 Council created an accrued benefits payments fund to fund anticipated retirement payouts. The outstanding liabilities are reviewed around September 1<sup>st</sup> of each year. Council has determined a 30% funding level of all total accrued liabilities for sick leave, vacations leave and compensatory leave benefits.



**Village of Silver Lake  
Summit County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

---

**Note 15 - Contingent Liabilities**

A. Litigation

The Village is a party in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

B. Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Silver Lake, Summit County, Ohio (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 30, 2008, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Village's management in a separate letter dated September 30, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated September 30, 2008.

We intend this report solely for the information and use of the Village Council, audit committee, and management. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 30, 2008



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF SILVER LAKE**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 6, 2008**