

***CITY OF OREGON***  
**LUCAS COUNTY, OHIO**

**Audit Report**

**For the Year Ended December 31, 2006**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





Mary Taylor, CPA  
Auditor of State

City Council  
City of Oregon  
5330 Seaman Road  
Oregon, Ohio 43616

We have reviewed the *Report of Independent Accountants* of the City of Oregon, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 31, 2007

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**CITY OF OREGON**  
**LUCAS COUNTY, OHIO**  
**Audit Report**  
**For the Year Ended December 31, 2006**

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*Charles E. Harris & Associates, Inc.*  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

The City of Oregon  
Lucas County  
5330 Seaman Road  
Oregon, OH 43616

To City Council:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon, Lucas County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon, Lucas County, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2007 on our consideration of the City'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 required by accounting principles generally accepted in the United States of America. 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.

*Charles E. Harris & Associates, Inc.*

June 7, 2007

# **CITY OF OREGON, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2006***

***Unaudited***

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The discussion and analysis of the City of Oregon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased \$2,567,454. Net assets of governmental activities increased \$2,974,603, which represents a 5.6% increase from 2005. Net assets of business-type activities decreased \$407,149 or 1% from 2005.
- ❑ General revenues accounted for \$22 million in revenue or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 33% of total revenues of \$32,497,369.
- ❑ The City had \$22 million in expenses related to governmental activities; only \$3.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$21.6 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$17.6 million in revenues and \$14.3 million in expenditures. The general fund's fund balance increased \$1,670,739 to \$10,545,131.
- ❑ Net assets for enterprise funds decreased by \$404,991.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

# **CITY OF OREGON, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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## **Government-wide Statements**

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

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

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

The government-wide financial statements of the City are divided into two categories:

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer services are reported as business-type activities.

## **Fund Financial Statements**

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

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

# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets.

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net assets between 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Current and other assets	\$44,557,255	\$40,666,088	\$6,090,398	\$5,237,753	\$50,647,653	\$45,903,841
Capital assets, Net	32,640,938	32,756,799	54,947,395	56,869,968	87,588,333	89,626,767
Total assets	77,198,193	73,422,887	61,037,793	62,107,721	138,235,986	135,530,608
Long-term debt outstanding	16,759,705	16,897,791	12,904,940	13,455,787	29,664,645	30,353,578
Other liabilities	4,324,475	3,385,686	264,657	376,589	4,589,132	3,762,275
Total liabilities	21,084,180	20,283,477	13,169,597	13,832,376	34,253,777	34,115,853
Net assets						
Invested in capital assets, net of related debt	17,348,917	17,899,937	42,604,430	43,639,700	59,953,347	61,539,637
Restricted	22,992,902	22,364,865	0	0	22,992,902	22,364,865
Unrestricted	15,772,194	12,944,742	5,263,766	4,635,645	21,035,960	17,580,387
Total net assets	\$56,114,013	\$53,139,410	\$47,868,196	\$48,275,345	\$103,982,209	\$101,414,755

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# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,631,104	\$1,411,215	\$6,793,419	\$6,244,087	\$8,424,523	\$7,655,302
Operating Grants and Contributions	961,335	1,244,869	0	0	961,335	1,244,869
Capital Grants and Contributions	976,736	1,782,375	401,015	0	1,377,751	1,782,375
General revenues:			0	0	0	
Property Taxes	1,896,496	1,798,577	0	0	1,896,496	1,798,577
Income Taxes	15,370,554	15,801,488	0	0	15,370,554	15,801,488
Shared Revenues	2,128,054	2,190,869	0	0	2,128,054	2,190,869
Investment Earnings	1,224,381	587,306	4,576	8,821	1,228,957	596,127
Miscellaneous	1,109,699	3,118,666	0	0	1,109,699	3,118,666
Total Revenues	<u>25,298,359</u>	<u>27,935,365</u>	<u>7,199,010</u>	<u>6,252,908</u>	<u>32,497,369</u>	<u>34,188,273</u>
Program Expenses						
Security of Persons and Property	9,631,705	10,041,954	0	0	9,631,705	10,041,954
Public Health and Welfare Services	410,619	736,965	0	0	410,619	736,965
Leisure Time Activities	945,363	952,991	0	0	945,363	952,991
Community Environment	968,781	890,401	0	0	968,781	890,401
Basic Utility Services	308,707	578,911	0	0	308,707	578,911
Transportation	4,452,372	4,811,983	0	0	4,452,372	4,811,983
General Government	4,871,244	4,420,790	0	0	4,871,244	4,420,790
Interest and Fiscal Charges	585,074	673,053	0	0	585,074	673,053
Water	0	0	3,435,890	3,342,561	3,435,890	3,342,561
Sewer	0	0	4,320,160	965,280	4,320,160	965,280
Total Expenses	<u>22,173,865</u>	<u>23,107,048</u>	<u>7,756,050</u>	<u>4,307,841</u>	<u>29,929,915</u>	<u>27,414,889</u>
Excess (Deficiency) Before Transfers	3,124,494	4,828,317	(557,040)	1,945,067	2,567,454	6,773,384
Transfers In (Out)	(149,891)	(116,960)	149,891	116,960	0	0
Total Change in Net Assets	<u>2,974,603</u>	<u>4,711,357</u>	<u>(407,149)</u>	<u>2,062,027</u>	<u>2,567,454</u>	<u>6,773,384</u>
Beginning Net Assets - Restated	<u>53,139,410</u>	<u>48,428,053</u>	<u>48,275,345</u>	<u>46,213,318</u>	<u>101,414,755</u>	<u>94,641,371</u>
Ending Net Assets	<u>\$56,114,013</u>	<u>\$53,139,410</u>	<u>\$47,868,196</u>	<u>\$48,275,345</u>	<u>\$103,982,209</u>	<u>\$101,414,755</u>

# CITY OF OREGON, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2006*

*Unaudited*

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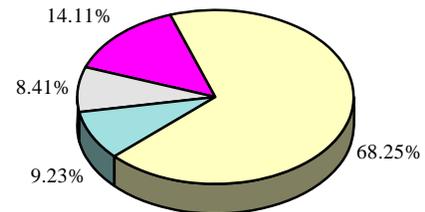
## **Governmental Activities**

Net assets of the City's governmental activities increased by \$2,974,603. This was due primarily to a decrease in operating expenses and an increase in tax revenue.

The City also receives an income tax, which is based on 2.25% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work or services performed or rendered in the City.

Property taxes and income taxes made up 7.45% and 60.8% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 68.25% of total revenues from general tax revenues:

<u>Revenue Sources</u>	<u>2006</u>	<u>Percent of Total</u>
General Shared Revenues	\$2,128,054	8.41%
Program Revenues	3,569,175	14.11%
General Tax Revenues	17,267,050	68.25%
General Other	2,334,080	9.23%
Total Revenue	<u>\$25,298,359</u>	<u>100.00%</u>



## **Business-Type Activities**

Net assets of the business-type activities decreased by \$407,149. This decrease was due to increased capital outlays for capital projects.

# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$22,327,740, which is an increase from last year's balance of \$20,144,521. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$10,545,131	\$8,874,392	\$1,670,739
Special Assessment Street Light	208,003	217,382	(9,379)
Special Assessment Sewer Maintenance	41,670	27,471	14,199
Special Assessment Bond Retirement	3,085	158,637	(155,552)
Other Governmental	11,529,851	10,866,639	663,212
Total	<u>\$22,327,740</u>	<u>\$20,144,521</u>	<u>\$2,183,219</u>

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

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$13,932,216	\$14,078,450	(\$146,234)
Intergovernmental Revenue	1,341,559	1,356,017	(14,458)
Charges for Services	212,233	331,490	(119,257)
Fines, Licenses and Permits	738,280	512,849	225,431
Investment Earnings	1,109,851	521,211	588,640
Special Assessments	6,001	3,998	2,003
All Other Revenue	262,889	101,923	160,966
Total	<u>\$17,603,029</u>	<u>\$16,905,938</u>	<u>\$697,091</u>

General Fund revenues in 2006 increased approximately 4.1% compared to revenues in fiscal year 2005. The most significant factor contributing to this increase was an increase in investment earnings.

	2006 Expenditures	2005 Expenditures	Increase (Decrease)
Security of Persons and Property	\$7,647,650	\$7,199,944	\$447,706
Public Health and Welfare Services	380,033	357,559	22,474
Leisure Time Activities	5,610	3,744	1,866
Community Environment	587,110	583,784	3,326
Transportation	2,428,037	2,230,217	197,820
General Government	3,258,915	2,966,101	292,814
Total	<u>\$14,307,355</u>	<u>\$13,341,349</u>	<u>\$966,006</u>

General Fund expenditures increased by \$966,006 or 7.2% compared to the prior year mostly due to an increase in the cost of salaries, benefits and street improvements.

# CITY OF OREGON, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2006*

*Unaudited*

## GENERAL FUND BUDGETARY INFORMATION

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

During the course of fiscal year 2006 the City amended its General Fund budget several times. None were significant.

For the General Fund, final budget basis revenue of \$20.1 million significantly changed over the original budget estimates of \$17.3 million. The General Fund had an adequate fund balance to cover expenditures.

## CHANGE IN FUND BALANCES

The increase in fund balances for the Special Assessment Sewer Maintenance Fund and can be attributed to an increase in special assessment collections during 2006.

The decreases in fund balances for the Special Assessment Street Light Fund and the Special Assessment Bond Retirement Fund can be attributed to a decrease in special assessment collections during 2006.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal 2006 the City had \$87,588,333 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$32,640,938 was related to governmental activities and \$54,947,395 to business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$6,255,214	\$5,289,812	\$965,402
Buildings and Improvements	7,490,450	7,482,580	7,870
Infrastructure	39,702,051	39,595,638	106,413
Machinery and Equipment	3,737,742	3,627,927	109,815
Vehicles	6,132,250	6,104,138	28,112
Construction in Progress	646,131	390,788	255,343
Less: Accumulated Depreciation	(31,322,900)	(29,734,084)	(1,588,816)
Totals	<u>\$32,640,938</u>	<u>\$32,756,799</u>	<u>(\$115,861)</u>

	Business-Type Activities		Increase (Decrease)
	2006	Restated 2005	
Land	\$1,737,645	\$1,737,645	\$0
Buildings and Distribution	56,425,338	50,678,337	5,747,001
Machinery and Equipment	23,641,534	23,617,172	24,362
Vehicles	819,469	852,118	(32,649)
Construction in Progress	17,143,886	22,326,116	(5,182,230)
Less: Accumulated Depreciation	(44,820,477)	(42,701,420)	(2,119,057)
Totals	<u>\$54,947,395</u>	<u>\$56,509,968</u>	<u>(\$1,562,573)</u>

# **CITY OF OREGON, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2006***

***Unaudited***

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The primary increases occurred in land and buildings and distribution. This was due to three sewer projects being completed during 2006 and moved out of construction in progress and the purchase of a piece of land in the amount of \$950,000.

As of December 31, 2006, the City has contractual commitments of \$18,781,999, as listed in Note 13, for various projects. Included in these projects are the street improvements, water mains and sanitary sewer trunk lines, intersection improvements, bikeways, ditch enclosures and relocation and design of an additional elevated water tank. Additional information on the City's capital assets can be found in Note 8.

### ***Debt***

At December 31, 2006, the City had \$5.0 million in bonds outstanding, \$501,681 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Governmental Activities:		
General Obligation Bonds	\$1,527,358	\$805,000
Special Assessment Bonds	1,238,819	1,354,985
Promissory Note	178,956	195,000
OWDA Loans Payable	9,805,855	10,286,922
OPWC Loans Payable	2,091,033	2,285,089
Pension Liability	54,550	55,523
Compensated Absences	1,863,134	1,915,272
Total Governmental Activities	<u>16,759,705</u>	<u>16,897,791</u>
Business-Type Activities:		
General Obligation Bonds	\$2,280,000	\$2,420,000
OWDA Loans Payable	9,874,408	10,450,268
OPWC Loans Payable	188,557	0
Compensated Absences	561,975	585,519
Total Business-Type Activities	<u>12,904,940</u>	<u>13,455,787</u>
Totals	<u>\$29,664,645</u>	<u>\$30,353,578</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Oregon lies, is limited to ten mills. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

# ***CITY OF OREGON, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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## **ECONOMIC FACTORS**

The City's original budget for 2006 utilized conservative revenue estimates with limited increases in base operating costs. The City was able to maintain current service levels without utilizing current fund balance reserves. Original General Fund revenues were projected to be at the same level as actual receipts for 2005. This was due to a projected increase in interest income because of the higher interest rates on investments and uncertainty in the amount of actual municipal income taxes to be collected due to uncertain economic conditions.

General Fund expenditures were originally budgeted at 1% more than 2006 actual expenditures. No additional personnel were added in the final approved budget. Department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

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

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-698-7000 or writing to City of Oregon Finance Department, 5330 Seaman Road, Oregon, Ohio 43616.

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# CITY OF OREGON, OHIO

## Statement of Net Assets December 31, 2006

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,629,932	\$ 348,282	\$ 1,978,214
Investments	20,301,615	4,400,917	24,702,532
Receivables:			
Taxes	4,697,260	0	4,697,260
Accounts	114,177	1,027,476	1,141,653
Intergovernmental	1,482,357	0	1,482,357
Interest	251,044	0	251,044
Special Assessments	15,691,310	0	15,691,310
Internal Balances	(58,901)	58,901	0
Inventory of Supplies at Cost	343,083	171,403	514,486
Prepaid Items	105,378	83,419	188,797
Capital Assets:			
Capital Assets Not Being Depreciated	6,901,345	18,881,531	25,782,876
Capital Assets Being Depreciated, Net	25,739,593	36,065,864	61,805,457
<b>Total Assets</b>	<b>77,198,193</b>	<b>61,037,793</b>	<b>138,235,986</b>
<b>Liabilities:</b>			
Accounts Payable	966,966	101,105	1,068,071
Accrued Wages and Benefits	869,931	157,377	1,027,308
Intergovernmental Payable	52,724	0	52,724
Workers Compensation Liability	236,983	0	236,983
Unearned Revenue	1,733,804	0	1,733,804
Accrued Interest Payable	14,067	6,175	20,242
General Obligation Notes Payable	450,000	0	450,000
Noncurrent liabilities:			
Due within one year	1,735,161	1,037,502	2,772,663
Due in more than one year	15,024,544	11,867,438	26,891,982
<b>Total Liabilities</b>	<b>21,084,180</b>	<b>13,169,597</b>	<b>34,253,777</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	17,348,917	42,604,430	59,953,347
Restricted For:			
Capital Projects	6,767,204	0	6,767,204
Debt Service	10,649,150	0	10,649,150
Street Construction, Maintenance and Repair	730,468	0	730,468
Court Special Projects	240,495	0	240,495
Housing Assistance	465,422	0	465,422
Solid Waste	435,746	0	435,746
Storm Sewer Project	1,873,586	0	1,873,586
Street Lighting	208,003	0	208,003
Hazardous Waste Landfill	162,109	0	162,109
Perpetual Care:			
Nonexpendable	81,221	0	81,221
Other Purposes	1,379,498	0	1,379,498
Unrestricted	15,772,194	5,263,766	21,035,960
<b>Total Net Assets</b>	<b>\$ 56,114,013</b>	<b>\$ 47,868,196</b>	<b>\$ 103,982,209</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Activities For the Year Ended December 31, 2006

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 9,631,705	\$ 435,096	\$ 60,511	\$ 495,338
Public Health and Welfare Services	410,619	45,315	0	0
Leisure Time Activities	945,363	223,834	0	0
Community Environment	968,781	402,769	0	0
Basic Utility Services	308,707	0	0	372,043
Transportation	4,452,372	42,758	900,824	69,945
General Government	4,871,244	481,332	0	39,410
Interest and Fiscal Charges	585,074	0	0	0
<b>Total Governmental Activities</b>	<b>22,173,865</b>	<b>1,631,104</b>	<b>961,335</b>	<b>976,736</b>
<b>Business-Type Activities:</b>				
Water	3,435,890	3,947,134	0	0
Sewer	4,320,160	2,846,285	0	401,015
<b>Total Business-Type Activities</b>	<b>7,756,050</b>	<b>6,793,419</b>	<b>0</b>	<b>401,015</b>
<b>Totals</b>	<b>\$ 29,929,915</b>	<b>\$ 8,424,523</b>	<b>\$ 961,335</b>	<b>\$ 1,377,751</b>

### General Revenues

Property Taxes  
Municipal Income Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year, as Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (8,640,760)	\$ 0	\$ (8,640,760)
(365,304)	0	(365,304)
(721,529)	0	(721,529)
(566,012)	0	(566,012)
63,336	0	63,336
(3,438,845)	0	(3,438,845)
(4,350,502)	0	(4,350,502)
(585,074)	0	(585,074)
<u>(18,604,690)</u>	<u>0</u>	<u>(18,604,690)</u>
0	511,244	511,244
<u>0</u>	<u>(1,072,860)</u>	<u>(1,072,860)</u>
0	(561,616)	(561,616)
<u>(18,604,690)</u>	<u>(561,616)</u>	<u>(19,166,306)</u>
1,896,496	0	1,896,496
15,370,554	0	15,370,554
2,128,054	0	2,128,054
1,224,381	4,576	1,228,957
1,109,699	0	1,109,699
(149,891)	149,891	0
<u>21,579,293</u>	<u>154,467</u>	<u>21,733,760</u>
2,974,603	(407,149)	2,567,454
<u>53,139,410</u>	<u>48,275,345</u>	<u>101,414,755</u>
<u>\$ 56,114,013</u>	<u>\$ 47,868,196</u>	<u>\$ 103,982,209</u>

# CITY OF OREGON, OHIO

## Balance Sheet Governmental Funds December 31, 2006

	General	Special Assessment Street Light	Special Assessment Sewer Maintenance	Special Assessment Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and Cash Equivalents	\$ 641,474	\$ 16,758	\$ 3,586	\$ 226	\$ 880,228	\$ 1,542,272
Investments	8,047,974	211,750	45,308	2,859	11,407,797	19,715,688
Receivables:						
Taxes	3,546,171	0	0	0	1,151,089	4,697,260
Accounts	81,697	0	0	0	32,480	114,177
Intergovernmental	728,987	0	0	0	753,370	1,482,357
Interest	248,795	0	0	0	2,249	251,044
Special Assessments	172,681	2,637,279	2,186,336	10,651,275	43,739	15,691,310
Inventory of Supplies, at Cost	343,083	0	0	0	0	343,083
Prepaid Items	99,051	0	0	0	0	99,051
<b>Total Assets</b>	<u>\$ 13,909,913</u>	<u>\$ 2,865,787</u>	<u>\$ 2,235,230</u>	<u>\$ 10,654,360</u>	<u>\$ 14,270,952</u>	<u>\$ 43,936,242</u>
<b>Liabilities:</b>						
Accounts Payable	\$ 99,359	\$ 20,505	\$ 0	\$ 0	\$ 847,102	\$ 966,966
Accrued Wages and Benefits Payable	782,048	0	7,224	0	80,659	869,931
Intergovernmental Payable	52,724	0	0	0	0	52,724
Deferred Revenue	2,430,651	2,637,279	2,186,336	10,651,275	1,356,500	19,262,041
Accrued Interest Payable	0	0	0	0	6,840	6,840
General Obligation Notes Payable	0	0	0	0	450,000	450,000
<b>Total Liabilities</b>	<u>3,364,782</u>	<u>2,657,784</u>	<u>2,193,560</u>	<u>10,651,275</u>	<u>2,741,101</u>	<u>21,608,502</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	364,641	0	1,800	0	1,986,107	2,352,548
Reserved for Prepaid Items	99,051	0	0	0	0	99,051
Reserved for Supplies Inventory	343,083	0	0	0	0	343,083
Reserved for Debt Service	0	0	0	3,085	2,017	5,102
Reserved for Endowments	0	0	0	0	81,221	81,221
Undesignated/Unreserved in:						
General Fund	9,738,356	0	0	0	0	9,738,356
Special Revenue Funds	0	208,003	39,870	0	4,280,308	4,528,181
Capital Projects Funds	0	0	0	0	5,180,198	5,180,198
<b>Total Fund Balances</b>	<u>10,545,131</u>	<u>208,003</u>	<u>41,670</u>	<u>3,085</u>	<u>11,529,851</u>	<u>22,327,740</u>
<b>Total Liabilities and Funds Balances</b>	<u>\$ 13,909,913</u>	<u>\$ 2,865,787</u>	<u>\$ 2,235,230</u>	<u>\$ 10,654,360</u>	<u>\$ 14,270,952</u>	<u>\$ 43,936,242</u>

See accompanying notes to the basic financial statements

## **CITY OF OREGON, OHIO**

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### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2006***

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<b>Total Governmental Fund Balances</b>	\$ 22,327,740
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	32,640,938
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	17,528,237
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	384,030
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,766,932)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 56,114,013</u></u></b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2006

	General	Special Assessment Street Light	Special Assessment Sewer Maintenance	Special Assessment Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 1,141,516	\$ 0	\$ 0	\$ 0	\$ 782,018	\$ 1,923,534
Municipal Income Taxes	12,790,700	0	0	0	2,604,592	15,395,292
Intergovernmental Revenues	1,341,559	0	0	0	1,999,203	3,340,762
Charges for Services	212,233	0	0	0	451,605	663,838
Licenses, Permits and Fees	398,757	0	0	0	0	398,757
Investment Earnings	1,109,851	0	0	0	29,794	1,139,645
Special Assessments	6,001	222,462	171,083	236,144	50,496	686,186
Fines and Forfeitures	339,523	0	0	0	156,513	496,036
All Other Revenue	262,889	0	0	0	209,126	472,015
<b>Total Revenue</b>	<b>17,603,029</b>	<b>222,462</b>	<b>171,083</b>	<b>236,144</b>	<b>6,283,347</b>	<b>24,516,065</b>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	7,647,650	207,736	0	0	1,347,833	9,203,219
Public Health and Welfare Services	380,033	0	0	0	4,296	384,329
Leisure Time Activities	5,610	0	0	0	755,432	761,042
Community Environment	587,110	0	0	0	349,276	936,386
Basic Utility Services	0	0	156,884	0	151,823	308,707
Transportation	2,428,037	0	0	0	568,454	2,996,491
General Government	3,258,915	0	0	0	1,387,315	4,646,230
Capital Outlay	0	0	0	0	2,236,528	2,236,528
Debt Service:						
Principal Retirement	0	16,044	0	597,233	421,698	1,034,975
Interest & Fiscal Charges	0	8,061	0	511,965	64,120	584,146
<b>Total Expenditures</b>	<b>14,307,355</b>	<b>231,841</b>	<b>156,884</b>	<b>1,109,198</b>	<b>7,286,775</b>	<b>23,092,053</b>
Excess (Deficiency) of Revenues						
Over Expenditures	3,295,674	(9,379)	14,199	(873,054)	(1,003,428)	1,424,012
<b>Other Financing Sources (Uses):</b>						
Sale of Capital Assets	8,844	0	0	0	24,497	33,341
General Obligation Bonds Issued	0	0	0	0	950,000	950,000
Transfers In	1,036,386	0	0	717,502	4,371,930	6,125,818
Transfers Out	(2,595,922)	0	0	0	(3,679,787)	(6,275,709)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,550,692)</b>	<b>0</b>	<b>0</b>	<b>717,502</b>	<b>1,666,640</b>	<b>833,450</b>
Net Change in Fund Balances	1,744,982	(9,379)	14,199	(155,552)	663,212	2,257,462
<b>Fund Balances at Beginning of Year</b>	<b>8,874,392</b>	<b>217,382</b>	<b>27,471</b>	<b>158,637</b>	<b>10,866,639</b>	<b>20,144,521</b>
Decrease in Inventory Reserve	(74,243)	0	0	0	0	(74,243)
<b>Fund Balances End of Year</b>	<b>\$ 10,545,131</b>	<b>\$ 208,003</b>	<b>\$ 41,670</b>	<b>\$ 3,085</b>	<b>\$ 11,529,851</b>	<b>\$ 22,327,740</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

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## ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended December 31, 2006***

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Net Change in Fund Balances - Total Governmental Funds \$ 2,257,462

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 125,555

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (241,416)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 748,953

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 85,948

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (928)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (22,105)

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. 21,134

***Change in Net Assets of Governmental Activities*** \$ 2,974,603

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 875,300	\$ 875,300	\$ 1,141,516	\$ 266,216
Municipal Income Taxes	10,200,000	13,715,700	13,887,136	171,436
Intergovernmental Revenue	2,202,500	1,202,500	1,292,287	89,787
Charges for Services	229,500	279,500	212,616	(66,884)
Licenses, Permits and Fees	198,100	298,100	398,850	100,750
Investment Earnings	700,000	850,000	1,039,734	189,734
Special Assessments	3,200	3,200	6,001	2,801
Fines and Forfeitures	301,100	301,100	330,184	29,084
All Other Revenues	112,500	112,500	253,658	141,158
Total Revenues	<u>14,822,200</u>	<u>17,637,900</u>	<u>18,561,982</u>	<u>924,082</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	7,599,193	7,688,239	7,655,248	32,991
Public Health and Welfare Services	385,545	390,568	383,953	6,615
Leisure Time Activities	5,000	5,880	5,610	270
Community Environment	623,570	612,088	598,983	13,105
Transportation	2,579,255	2,608,524	2,537,431	71,093
General Government	3,236,823	3,485,992	3,358,087	127,905
Total Expenditures	<u>14,429,386</u>	<u>14,791,291</u>	<u>14,539,312</u>	<u>251,979</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	392,814	2,846,609	4,022,670	1,176,061
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	10,000	10,000	8,844	(1,156)
Transfers In	2,479,886	2,479,886	2,353,397	(126,489)
Transfers Out	(3,899,834)	(3,914,834)	(3,912,933)	1,901
Total Other Financing Sources (Uses):	<u>(1,409,948)</u>	<u>(1,424,948)</u>	<u>(1,550,692)</u>	<u>(125,744)</u>
Net Change In Fund Balance	(1,017,134)	1,421,661	2,471,978	1,050,317
Fund Balance at Beginning of Year	5,508,048	5,508,048	5,508,048	0
Prior Year Encumbrances	289,457	289,457	289,457	0
Fund Balance at End of Year	<u>\$ 4,780,371</u>	<u>\$ 7,219,166</u>	<u>\$ 8,269,483</u>	<u>\$ 1,050,317</u>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue – Special Assessment Street Light Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Special Assessments	\$ 208,480	\$ 221,480	\$ 222,462	\$ 982
Total Revenues	<u>208,480</u>	<u>221,480</u>	<u>222,462</u>	<u>982</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	227,200	210,094	210,091	3
Debt Service:				
Principal Retirement	0	16,045	16,044	1
Interest and Fiscal Charges	<u>0</u>	<u>8,061</u>	<u>8,061</u>	<u>0</u>
Total Expenditures	<u>227,200</u>	<u>234,200</u>	<u>234,196</u>	<u>4</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,720)	(12,720)	(11,734)	986
Fund Balance at Beginning of Year	<u>240,242</u>	<u>240,242</u>	<u>240,242</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 221,522</u>	<u>\$ 227,522</u>	<u>\$ 228,508</u>	<u>\$ 986</u>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

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**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue – Special Assessment Sewer Maintenance Fund  
For the Year Ended December 31, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Special Assessments	\$ 172,104	\$ 171,104	\$ 171,083	\$ (21)
Total Revenues	<u>172,104</u>	<u>171,104</u>	<u>171,083</u>	<u>(21)</u>
<b>Expenditures:</b>				
Current:				
Basic Utility Services	162,134	164,736	152,681	12,055
Total Expenditures	<u>162,134</u>	<u>164,736</u>	<u>152,681</u>	<u>12,055</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,970	6,368	18,402	12,034
Fund Balance at Beginning of Year	27,582	27,582	27,582	0
Prior Year Encumbrances	1,110	1,110	1,110	0
Fund Balance at End of Year	<u>\$ 38,662</u>	<u>\$ 35,060</u>	<u>\$ 47,094</u>	<u>\$ 12,034</u>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Net Assets Proprietary Funds December 31, 2006

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>ASSETS</b>				
Current assets:				
Cash and Cash Equivalents	\$ 113,071	\$ 235,211	\$ 348,282	\$ 90,793
Investments	1,428,769	2,972,148	4,400,917	582,794
Accounts receivable (net of allow for uncollectibles)	591,841	435,635	1,027,476	0
Inventory of Supplies at Cost	165,232	6,171	171,403	0
Prepaid Items	40,919	42,500	83,419	6,327
Total current assets	<u>2,339,832</u>	<u>3,691,665</u>	<u>6,031,497</u>	<u>679,914</u>
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	27,681,219	54,942,767	82,623,986	0
Construction in Progress	814,074	16,329,812	17,143,886	0
Less accumulated depreciation	(17,608,806)	(27,211,671)	(44,820,477)	0
Total capital assets (net of accumulated depr)	<u>10,886,487</u>	<u>44,060,908</u>	<u>54,947,395</u>	<u>0</u>
Total noncurrent assets	<u>10,886,487</u>	<u>44,060,908</u>	<u>54,947,395</u>	<u>0</u>
Total assets	<u>13,226,319</u>	<u>47,752,573</u>	<u>60,978,892</u>	<u>679,914</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts Payable	42,447	58,658	101,105	0
Accrued Wages and Benefits	91,895	65,482	157,377	0
Workers Compensation Liability	0	0	0	236,983
Accrued Interest Payable	0	6,175	6,175	0
General Obligation Bonds Payable - Current	0	145,000	145,000	0
OWDA Loans Payable - Current	0	713,522	713,522	0
OPWC Loans Payable - Current	0	9,670	9,670	0
Total Current Liabilities	<u>134,342</u>	<u>998,507</u>	<u>1,132,849</u>	<u>236,983</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable	0	2,135,000	2,135,000	0
OWDA Loans Payable	0	9,160,886	9,160,886	0
OPWC Loans Payable	0	178,887	178,887	0
Compensated Absences Payable	320,393	241,582	561,975	0
Total noncurrent liabilities	<u>320,393</u>	<u>11,716,355</u>	<u>12,036,748</u>	<u>0</u>
<b>Total Liabilities</b>	<u>454,735</u>	<u>12,714,862</u>	<u>13,169,597</u>	<u>236,983</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	10,886,487	31,717,943	42,604,430	0
Unrestricted	1,885,097	3,319,768	5,204,865	442,931
Total Net Assets	<u>\$ 12,771,584</u>	<u>\$ 35,037,711</u>	<u>47,809,295</u>	<u>\$ 442,931</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			58,901	
Net Assets of Business-type Activities			<u>\$ 47,868,196</u>	

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2006

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>Operating Revenues:</b>				
Charges for Services	\$ 3,918,764	\$ 2,820,962	\$ 6,739,726	\$ 51,884
Other Charges for Services	16,915	0	16,915	0
Other Operating Revenues	10,955	19,341	30,296	41,974
<b>Total Operating Revenues</b>	<b>3,946,634</b>	<b>2,840,303</b>	<b>6,786,937</b>	<b>93,858</b>
<b>Operating Expenses:</b>				
Personal Services	1,675,729	1,243,378	2,919,107	74,882
Contractual Services	268,469	427,704	696,173	0
Materials and Supplies	551,641	83,831	635,472	0
Utilities	312,795	410,352	723,147	0
Depreciation	624,615	1,585,880	2,210,495	0
<b>Total Operating Expenses</b>	<b>3,433,249</b>	<b>3,751,145</b>	<b>7,184,394</b>	<b>74,882</b>
<b>Operating Income (Loss)</b>	<b>513,385</b>	<b>(910,842)</b>	<b>(397,457)</b>	<b>18,976</b>
<b>Non-Operating Revenue (Expenses):</b>				
Interest Income	0	4,576	4,576	0
Interest and Fiscal Charges	0	(569,498)	(569,498)	0
Sale of Capital Assets	500	5,982	6,482	0
<b>Total Non-Operating Revenues (Expenses)</b>	<b>500</b>	<b>(558,940)</b>	<b>(558,440)</b>	<b>0</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>513,885</b>	<b>(1,469,782)</b>	<b>(955,897)</b>	<b>18,976</b>
Capital Contributions	0	401,015	401,015	0
Transfers In	165,098	1,134,274	1,299,372	0
Transfers Out	(559,542)	(589,939)	(1,149,481)	0
<b>Change in Net Assets</b>	<b>119,441</b>	<b>(524,432)</b>	<b>(404,991)</b>	<b>18,976</b>
Net Assets Beginning of Year, as Restated	12,652,143	35,562,143	48,214,286	423,955
<b>Net Assets End of Year</b>	<b>\$ 12,771,584</b>	<b>\$ 35,037,711</b>	<b>47,809,295</b>	<b>\$ 442,931</b>
Change in Net Assets - Total Enterprise Funds			(404,991)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(2,158)	
Change in Net Assets - Business-type Activities			<u>(407,149)</u>	

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2006

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Totals	
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$3,920,913	\$2,845,035	\$6,765,948	\$93,858
Cash Payments for Goods and Services	(1,024,849)	(923,399)	(1,948,248)	0
Cash Payments to Employees	(1,723,475)	(1,233,118)	(2,956,593)	(71,655)
Net Cash Provided by Operating Activities	1,172,589	688,518	1,861,107	22,203
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers In from Other Funds	165,098	1,795,758	1,960,856	0
Transfers Out to Other Funds	(559,542)	(589,939)	(1,149,481)	0
Net Cash Provided (Used) by Noncapital Financing Activities	(394,444)	1,205,819	811,375	0
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Intergovernmental Grants	0	759,624	759,624	0
Acquisition and Construction of Assets	(154,376)	(566,688)	(721,064)	0
Principal Paid on General Obligation Bonds	0	(140,000)	(140,000)	0
Proceeds from Ohio Water Development Authority Loans	0	101,675	101,675	0
Proceeds from Ohio Public Works Commission Loan	0	193,392	193,392	0
Principal Paid on				
Ohio Water Development Authority Loans	0	(677,535)	(677,535)	0
Principal Paid on				
Ohio Public Works Commission Loan	0	(4,835)	(4,835)	0
Interest Paid on All Debt	0	(1,530,543)	(1,530,543)	0
Net Cash Used for Capital and Related Financing Activities	(154,376)	(1,864,910)	(2,019,286)	0
<b>Cash Flows from Investing Activities:</b>				
Sale of Investments	0	199,082	199,082	17,842
Purchase of Investments	(511,313)	0	(511,313)	0
Receipts of Interest	0	4,576	4,576	0
Net Cash Provided (Used) by Investing Activities	(511,313)	203,658	(307,655)	17,842
Net Increase in Cash and Cash Equivalents	112,456	233,085	345,541	40,045
Cash and Cash Equivalents at Beginning of Year	615	2,126	2,741	50,748
Cash and Cash Equivalents at End of Year	\$113,071	\$235,211	\$348,282	\$90,793
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$513,385	(\$910,842)	(\$397,457)	\$18,976
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Miscellaneous Nonoperating Income	500	5,982	6,482	0
Depreciation Expense	624,615	1,585,880	2,210,495	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(25,721)	4,732	(20,989)	0
Decrease in Inventory	110,510	10,793	121,303	0
Decrease in Prepaid Items	2,508	1,181	3,689	3,227
Decrease in Accounts Payable	(5,462)	(19,468)	(24,930)	0
Decrease in Accrued Wages and Benefits	(9,520)	(4,422)	(13,942)	0
Increase (Decrease) in Compensated Absences	(38,226)	14,682	(23,544)	0
Total Adjustments	659,204	1,599,360	2,258,564	3,227
Net Cash Provided by Operating Activities	\$1,172,589	\$688,518	\$1,861,107	\$22,203

### Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2006, the Sewer Fund had an outstanding liability of \$14,166 for the purchase of certain capital assets.  
In addition, the Sewer Fund received capital assets from various sources in the amount of \$401,015.

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

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## Statement of Net Assets Fiduciary Funds December 31, 2006

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	Private Purpose Trust	
	Unclaimed Monies Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 29,601	\$ 58,752
<b>Total Assets</b>	<u>29,601</u>	<u>58,752</u>
<b>Liabilities:</b>		
Intergovernmental Payable	0	26,311
Due to Others	0	32,441
<b>Total Liabilities</b>	<u>0</u>	<u>58,752</u>
Unrestricted	29,601	0
<b>Total Net Assets</b>	<u>\$ 29,601</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

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**Statement of Changes in Net Assets  
Fiduciary Fund  
For the Year Ended December 31, 2006**

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	Private Purpose Trust <u>Unclaimed Monies Fund</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 1,214
Total Additions	<u>1,214</u>
<b>Deductions:</b>	
Administrative Expenses	<u>15</u>
Total Deductions	<u>15</u>
Change in Net Assets	1,199
Net Assets at Beginning of Year	<u>28,402</u>
Net Assets End of Year	<u><u>\$ 29,601</u></u>

See accompanying notes to the basic financial statements

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

The City of Oregon, Ohio (the "City") is a home rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1958 and has been amended several times, most recently in 2002.

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

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical, parks, recreation, cemetery, planning, zoning, street maintenance, judicial administration and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

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

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

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

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

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

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

Special Assessment - Street Light Fund - This fund is used to account for revenues from general fund transfers and from assessments on real property. Expenditures may only be used to pay for street light operations, including capital improvements.

Special Assessment - Sewer Maintenance Fund - This fund is used to account for revenues from real and personal property taxes and for general fund transfers. Expenditures may only be used for sanitary sewer maintenance costs.

Special Assessment Bond Retirement Fund - This fund is used to accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment bonds.

#### ***Proprietary Funds***

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, whereby the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund - This fund is used to account for the operation of the City's water service.

Sewer Fund - This fund is used to account for the operation of the City's sanitary sewer service.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

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

**Internal Service Funds** - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has three internal service funds, the Self Insurance Dental / Emergency Room Fund, the Workers' Compensation Fund and the Medical Spending Fund. These funds are used to account for monies received from city departments to cover the costs related to the self insurance program, potential liabilities for workers' compensation and for deposits from the employees into the medical cafeteria plan.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The City's only trust fund is a private purpose trust that accounts for unclaimed monies. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on a full accrual basis of accounting. The City has four agency funds. These funds are used to account for monies received by the City in situations where the City's role is purely custodial in nature. The four funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Ohio Board of Building Standards Assessment Fund, which accounts for assessed funds as required by the Ohio Revised Code, the Income Tax Joint District Fund, which accounts for income tax funds to be distributed between the City of Oregon and the City of Northwood and the Lucas County Water Collection Fund, which accounts for a portion of the revenue from Lucas County users of the City of Oregon's water.

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

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses, however, the interfund services provided and used are not eliminated in the process of consolidation.

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

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City. Certain indirect costs are included in the program expenses reported for individual functions and activities.

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

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

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2006, but which are not intended to finance 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Government-Wide Statements are also prepared using the accrual basis of accounting.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its governmental activities, business-type activities and enterprise funds.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

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

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the fund level without the approval of City Council. Budgetary modifications above the fund level may only be made by ordinance of the City Council.

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

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2006.

#### **2. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by the finance director. During the year several supplemental appropriations were necessary to budget the use of contingency funds, major capital improvement projects and intergovernmental grant proceeds. Administrative control is maintained through the establishment of more detailed line-item budgets.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

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

##### **3. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

##### **4. Lapsing of Appropriations**

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

##### **5. Budgetary Basis of Accounting**

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

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**CITY OF OREGON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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

**E. Budgetary Process (Continued)**

**5. Budgetary Basis of Accounting (Continued)**

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

	Net Change In Fund Balance		
	General Fund	Special Assessment Street Lighting Fund	Special Assessment Sewer Maintenance Fund
GAAP Basis (as reported)	\$1,744,982	(\$9,379)	\$14,199
Increase (Decrease):			
Accrued Revenues at December 31, 2006 received during 2007	(2,332,655)	0	0
Accrued Revenues at December 31, 2005 received during 2006	3,337,408	0	0
Accrued Expenditures at December 31, 2006 paid during 2007	934,131	20,505	7,224
Accrued Expenditures at December 31, 2005 paid during 2006	(807,682)	(22,860)	(1,221)
2005 Prepays for 2006	129,835	0	0
2006 Prepays for 2007	(99,051)	0	0
Outstanding Encumbrances	(434,990)	0	(1,800)
Budget Basis	<u>\$2,471,978</u>	<u>(\$11,734)</u>	<u>\$18,402</u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, short-term certificates of deposit and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements. The certificates of deposit are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

#### **F. Cash and Cash Equivalents** (Continued)

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

#### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the Oregon Municipal Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 4, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2006. 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, 2006.

#### **H. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

#### **I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

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

#### **J. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

##### 1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", has been reported.

##### 2. Property, Plant and Equipment – Business Type Activities

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

##### 3. Depreciation

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

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	20 - 40
Improvements other than Buildings/Infrastructure	10 - 50
Machinery, Equipment, Furniture and Fixtures	5 - 10

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

#### **K. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund Sewer Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Ohio Water Development Authority Loans	Special Assessment Bond Retirement Fund Sewer Fund
Ohio Public Works Commission Loan	General Obligation Bond Retirement Fund Sewer Fund
Promissory Notes	General Obligation Bond Retirement Fund
Police and Firemen's Pension Accrued Liability	General Fund
Compensated Absences	General Fund Emergency Medical Services Operating Fund Recreation Fund, Water Fund, Sewer Fund

#### **L. Compensated Absences**

All full-time City employees earn vacation at varying rates based upon length of service. Carryovers are allowed by contracts up to 40 hours for bargaining contracts and 120 hours for non-bargaining legislation. Any additions require legislative approval. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance.

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the City's service, an employee receives one hour of monetary compensation for each two hours of unused sick leave. The monetary compensation is equal to the hourly rate of compensation of the employee at the time of retirement.

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined.

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

#### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

#### **N. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

#### **O. Interfund Activity**

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

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

#### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid expenditures, endowments, debt service and encumbered amounts which have not been accrued at year end.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

#### **Q. Estimates**

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

#### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment and maintenance of storm water collection systems. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **S. 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 City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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### **NOTE 2 – PRIOR PERIOD ADJUSTMENTS**

During the year ended December 31, 2005, it was determined that the construction in progress for the Sewer Fund (enterprise funds) was understated. It was also determined that there was an error in the reporting of OWDA Loans payable in the governmental activities. The adjustments had the following effect on the Sewer Fund balance:

	<u>Sewer Fund</u>
Fund Balance at December 31, 2005 as reported	\$32,689,372
Accounting Change for CIP	<u>2,872,771</u>
Net Assets at December 31, 2005 as restated	<u><u>\$35,562,143</u></u>

The change to the beginning Sewer Fund balance and the correction of the OWDA Loans payable had the following effect on the governmental activities and the business-type activities beginning net assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets December 31, 2005 as reported	\$53,209,544	\$45,402,574
Adjustments:		
Accounting Change CIP	0	2,872,771
Correction of OWDA Loan payable	<u>(70,134)</u>	<u>0</u>
Net Assets December 31, 2005 as restated	<u><u>\$53,139,410</u></u>	<u><u>\$48,275,345</u></u>

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

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### NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Delinquent Income Tax Revenue	\$128,286
Delinquent Property Tax Revenue	395,922
Shared Revenues	1,079,216
Interest Revenues	233,501
Special Assessment Revenue	<u>15,691,312</u>
	\$17,528,237

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

Special Assessment Bonds Payable	(\$1,238,819)
General Obligation Bonds Payable	(1,527,358)
OPWC Loans Payable	(2,091,033)
OWDA Loans Payable	(9,805,855)
Promissory Note Payable	(178,956)
Accrued Pension Liability	(54,550)
Accrued Interest on Long-Term Debt	(7,227)
Compensated Absences Payable	<u>(1,863,134)</u>
	(\$16,766,932)

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

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### NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

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

Capital Outlay	\$2,075,196
Depreciation Expense	(1,949,641)
	<u>\$125,555</u>

*Governmental revenues not reported in the funds:*

Decrease in Delinquent Income Tax Revenue	(\$24,738)
Decrease in Delinquent Property Tax	(27,038)
Decrease in Shared Revenue	(251,373)
Increase in Interest Revenue	84,736
Increase in Special Assessment Revenue	967,366
	<u>\$748,953</u>

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

Decrease in Compensated Absences Payable	\$52,138
Decrease in supplies inventory	(74,243)
	<u>(\$22,105)</u>

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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### **NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

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

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

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

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

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### A. Deposits

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

At year end the carrying amount of the City's deposits was \$18,535,314 and the bank balance was \$19,467,612. The Federal Deposit Insurance Corporation (FDIC) covered \$300,000 of the bank balance and \$19,167,612 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$19,167,612</u>
Total Balance	<u><u>\$19,167,612</u></u>

Investment earnings of \$736,617 earned by other funds were credited to the General Fund as required by local statute.

#### B. Investments

The City's investments at December 31, 2006 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
City of Oregon Bonds Payable	\$868,020	N/A	\$0	\$0	\$868,020
FNMA	497,970	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	497,970	0
FHLMC	2,510,543	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	2,510,543	0
FHLB	4,243,135	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	4,243,135	0
STAR Ohio	114,117	AAAm <sup>1</sup>	114,117	0	0
Total Investments	<u>\$8,233,785</u>		<u>\$114,117</u>	<u>\$7,251,648</u>	<u>\$868,020</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

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### NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### **B. Investments** (Continued)

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Credit Risk* – The City's investments in FNMA, FHLMC and FHLB securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk* – The City's investments in FNMA, FHLMC and FHLB securities in the amount of \$497,970, \$2,513,776 and \$4,243,135, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 11% are City of Oregon debt instruments, 6% are FNMA, 31% are FHLMC, 51% are FHLB and 1% is Star Ohio.

#### **C. Reconciliation of Cash, Cash Equivalents and Investments**

A reconciliation between classifications of cash and investments on the financial statements and classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$2,069,700	\$24,699,399
Certificates of Deposit (with maturities of more than 3 months)	16,579,791	(16,579,791)
Investments:		
STAR Ohio	(114,177)	114,177
Per Footnote	<u>\$18,535,314</u>	<u>\$8,233,785</u>

### NOTE 5 - TAXES

#### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000 and the equalization adjustment was completed in 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 31; the remainder is payable by July 31.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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### **NOTE 5 - TAXES (Continued)**

#### **A. Property Taxes** (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder is payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Oregon. The County Auditor periodically remits to the City its portion of the taxes collected.

The full property tax rate for all City operations for the year ended December 31, 2006 was \$3.50 per \$1,000 of assessed value. The assessed value upon which the 2006 tax receipts were based was \$632,305,148. This amount constitutes \$442,695,030 in real property assessed value, \$42,786,820 in public utility assessed value and \$146,823,298 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.350% (3.50 mills) of assessed value.

#### **B. Income Tax**

The City levies a tax of 2.25% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

# **CITY OF OREGON, OHIO**

## **Notes to the Basic Financial Statements For the Year Ended December 31, 2006**

### **NOTE 6 - RECEIVABLES**

Receivables at December 31, 2006 consisted of taxes, interest, interfund receivables, accounts receivable, special assessments and intergovernmental receivables.

### **NOTE 7 - TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2006:

	Transfers In:					Total
	General Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	Water Fund	Sewer Fund	
Transfers Out:						
General Fund	\$0	\$0	\$2,595,922	\$0	\$0	\$2,595,922
Other Governmental Funds	52,003	717,502	1,776,008	0	1,134,274	3,679,787
Water Fund	559,542	0	0	0	0	559,542
Sewer Fund	424,841	0	0	165,098	0	589,939
	<u>\$1,036,386</u>	<u>\$717,502</u>	<u>\$4,371,930</u>	<u>\$165,098</u>	<u>\$1,134,274</u>	<u>\$7,425,190</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Funds are also transferred as reimbursements to the general fund for indirect cost allocations based on a percentage of estimated costs to run specific departments. Sewer fund money is transferred to the water fund as reimbursement for salaries and fringes paid out of that fund for expenses related to the sewer fund.

Transfers of \$7,275,299 were eliminated on the entity-wide statement of activities since they were within the governmental and business-type activities.

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 8 - CAPITAL ASSETS

#### A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2006:

*Historical Cost:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$5,289,812	\$965,402	\$0	\$6,255,214
Construction in Progress	390,788	562,411	(307,068)	646,131
Subtotal	5,680,600	1,527,813	(307,068)	6,901,345
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	7,482,580	7,870	0	7,490,450
Machinery and Equipment	3,627,927	224,670	(114,855)	3,737,742
Vehicles	6,104,138	192,890	(164,778)	6,132,250
Infrastructure	39,595,638	429,021	(322,608)	39,702,051
Subtotal	56,810,283	854,451	(602,241)	57,062,493
Total Cost	\$62,490,883	\$2,382,264	(\$909,309)	\$63,963,838

*Accumulated Depreciation:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Improvements	(\$5,045,291)	(\$279,674)	\$0	(\$5,324,965)
Machinery and Equipment	(2,680,352)	(108,364)	0	(2,788,716)
Vehicles	(4,498,049)	(453,772)	130,707	(4,821,114)
Infrastructure	(17,510,392)	(1,107,831)	230,118	(18,388,105)
Total Depreciation	(\$29,734,084)	(\$1,949,641) *	\$360,825	(\$31,322,900)
<i>Net Value:</i>	\$32,756,799			\$32,640,938

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

Security of Persons and Property	\$422,060
Public Health and Welfare Services	20,496
Leisure Time Activities	138,270
Community Environment	21,680
Transportation	1,198,122
General Government	149,013
Total Depreciation Expense	\$1,949,641

**CITY OF OREGON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 8 - CAPITAL ASSETS (continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2006:

*Historical Cost:*

Class	Restated December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$1,737,645	\$0	\$0	\$1,737,645
Construction in Progress	22,326,116	92,250	(5,274,480)	17,143,886
Subtotal	24,063,761	92,250	(5,274,480)	18,881,531
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	50,678,337	5,747,001	0	56,425,338
Machinery and Equipment	23,617,172	42,437	(18,075)	23,641,534
Vehicles	852,118	41,175	(73,824)	819,469
Subtotal	75,147,627	5,830,613	(91,899)	80,886,341
Total Cost	\$99,211,388	\$5,922,863	(\$5,366,379)	\$99,767,872

*Accumulated Depreciation:*

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Distributions	(\$28,974,844)	(\$1,655,162)	\$0	(\$30,630,006)
Machinery and Equipment	(12,986,166)	(522,915)	18,075	(13,491,006)
Vehicles	(740,410)	(32,418)	73,363	(699,465)
Total Depreciation	(\$42,701,420)	(\$2,210,495)	\$91,438	(\$44,820,477)
<i>Net Value:</i>	\$56,509,968			\$54,947,395

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

**A. Ohio Public Employees Retirement System (the “Ohio PERS”)**

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$1,045,425, \$994,117 and \$958,792, respectively, which were equal to the required contributions for each year.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

#### **A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)**

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$343,388.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

# ***CITY OF OREGON, OHIO***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

#### **B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)**

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$555,784, \$538,997 and \$518,697 for police and \$185,592, \$167,519 and \$159,758 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly 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 on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$220,889 representing 7.75% of covered payroll for police and \$59,931 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees 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. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

## ***CITY OF OREGON, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 10 - COMPENSATED ABSENCES**

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2006, the City's accumulated, unpaid compensated absences amounted to \$2,425,109, of which \$1,863,134 is recorded as a liability of the Governmental Activities and \$561,975 is recorded as a liability of the Business-Type Activities.

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# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 11 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2006 was as follows:

	Restated Balance December 31, 2005	Issued	(Retired)	Balance December 31, 2006	Amount Due Within One Year
<b>Governmental Activities Long-Term Debt:</b>					
General Obligation Bonds:					
3.20% Court Administration Building	\$805,000	\$0	(\$190,000)	\$615,000	\$195,000
4.67% Land Acquisition	0	950,000	(37,642)	912,358	38,654
Total General Obligation Bonds	805,000	950,000	(227,642)	1,527,358	233,654
Special Assessment Bonds Payable with Governmental Commitment:					
6.95% Wynnscape/Lallendorf	166,100	0	(23,300)	142,800	24,900
6.75% Lallendorf/Dustin	34,550	0	(9,240)	25,310	9,870
5.50% Pickle Road Sewer Construction	13,831	0	(1,074)	12,757	1,133
5.62% Coy Road Sanitary Sewer	57,145	0	(3,894)	53,251	4,113
5.25% York Street Waterline	243,000	0	(15,000)	228,000	16,000
5.00% Lallendorf Road Sanitary Sewer	13,397	0	(1,339)	12,058	1,407
5.00% Corduroy Road Waterline	71,188	0	(6,439)	64,749	6,765
5.00% Shore/Yarrow Waterline Ext.	35,803	0	(2,838)	32,965	2,982
5.50% Navarre Sanitary Sewer	112,898	0	(8,738)	104,160	9,225
5.50% Spartan Infrastructure	235,554	0	(18,230)	217,324	19,247
5.03% Lallendorf Sewer Phase 1	127,703	0	(8,975)	118,728	9,426
5.03% Lallendorf Sewer Phase 2	32,560	0	(2,288)	30,272	2,403
5.03% Lallendorf Sewer Phase 3	38,185	0	(2,684)	35,501	2,819
5.03% Stadium Road Waterline	128,629	0	(9,040)	119,589	9,495
5.03% Sugarbush Waterline	33,982	0	(2,388)	31,594	2,508
4.90% Seaman Road Sewer Phase 1	10,460	0	(699)	9,761	734
Total Special Assessment Bonds Payable with Governmental Commitment	1,354,985	0	(116,166)	1,238,819	123,027

(Continued)

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 11 - LONG-TERM DEBT (Continued)

	Restated Balance December 31, 2005	Issued	(Retired)	Balance December 31, 2006	Amount Due Within One Year
<b>Governmental Activities Long-Term Debt:</b>					
Promissory Note Payable:					
4.22% Circuit 715 Lighting	195,000	0	(16,044)	178,956	16,728
Ohio Public Works Commission Loans:					
0.00% Sanitary Sewer Reconstruction	15,699	0	(7,850)	7,849	7,850
0.00% Lallendorf Road Storm Sewer Improvements	93,643	0	(46,821)	46,822	46,821
0.00% Raw Water Intake Rehabilitation	101,846	0	(25,461)	76,385	25,461
0.00% Zebra Mussel Control - Raw Water Intake	247,506	0	(15,470)	232,036	15,470
0.00% Water Plant Renovations - Phase I	337,746	0	(19,867)	317,879	19,867
0.00% Water Treatment Plant Improvements - Phase II	351,890	0	(20,108)	331,782	20,108
0.00% Bayshore Bridge	19,449	0	(2,779)	16,670	2,779
0.00% Water Treatment Plant Improvements - Phase III	450,000	0	(25,000)	425,000	25,000
0.00% Water Treatment Plant Improvements - Phase IV	667,310	0	(30,700)	636,610	30,700
Total Ohio Public Works Commission Loans	2,285,089	0	(194,056)	2,091,033	194,056
Ohio Water Development Authority Loans:					
2.00% Oakdale Sanitary Sewer	23,284	0	(4,474)	18,810	4,564
7.36% Norden/Cedar Point Waterline	23,345	0	(11,258)	12,087	12,087
8.35% Brown Road Waterline	3,946	0	(1,491)	2,455	1,616
4.28% Waterplant Renovation - Phase I & II	8,365,388	0	(382,105)	7,983,283	398,634
3.65% Waterplant Renovation - Phase III	1,870,959	0	(81,739)	1,789,220	84,750
Total Ohio Water Development Authority Loans Payable	10,286,922	0	(481,067)	9,805,855	501,651
Compensated Absences	1,915,272	165,282	(217,420)	1,863,134	665,030
Police and Firemen's Pension Accrued Liability	55,523	0	(973)	54,550	1,015
Total Governmental Activities Long-Term Debt	\$16,897,791	\$1,115,282	(\$1,253,368)	\$16,759,705	\$1,735,161

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 11 - LONG-TERM DEBT (Continued)

	Balance December 31, 2005	Issued (Retired)	Issued (Retired)	Balance December 31, 2006	Issued (Retired)
<b>Business-Type Long-Term Debt:</b>					
General Obligation Bond:					
3.25% Sewer Improvement	\$2,420,000	\$0	(\$140,000)	\$2,280,000	\$145,000
Ohio Public Works Commission Loan:					
0.00% Eastwyck Sanitary Pump Station	0	193,392	(4,835)	188,557	9,670
Ohio Water Development Authority Loans:					
7.51% Bayshore Sewer (1063)	1,269,187	0	(218,471)	1,050,716	234,878
8.35% Chlorination (0954)	203,932	0	(77,039)	126,893	83,472
2.20% North Oregon Sewer (SRFA)	300,039	0	(30,495)	269,544	30,830
4.80% North Oregon Sewer (SRFB)	259,395	0	0	259,395	0
3.80% Seaman Road Trunk Sewer - Phase I	1,325,854	0	(57,675)	1,268,179	59,887
3.95% Seaman Road Trunk Sewer - Phase II	2,095,838	0	(80,599)	2,015,239	83,814
3.50% Stadium Road Sewer	2,684,351	0	(118,687)	2,565,664	122,877
3.35% Pickle Road Sewer	2,311,672	101,675	(94,569)	2,318,778	97,764
Total Ohio Water Development Authority Loans	10,450,268	101,675	(677,535)	9,874,408	713,522
Compensated Absences	585,519	0	(23,544)	561,975	169,310
Total Business-Type Activities Long-Term Debt	<u>\$13,455,787</u>	<u>\$295,067</u>	<u>(\$845,914)</u>	<u>\$12,904,940</u>	<u>\$1,037,502</u>

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# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 11 - LONG-TERM DEBT (Continued)

Long-term debt of the City at December 31, 2006 was as follows:

	Date of Issue	Original Issue	Final Maturity Date
<b>Governmental Activities Long-Term Debt:</b>			
General Obligation Bonds:			
3.20% Court Administration Building	1998	\$1,800,000	2009
4.67% Land Acquisition	2006	<u>1,800,000</u>	2016
Total General Obligation Bonds Payable		3,600,000	
Special Assessment Bonds Payable with Governmental Commitment:			
6.95% Wynnscape/Lallendorf	1993	360,900	2011
6.75% Lallendorf/Dustin	1993	108,770	2013
5.50% Pickle Road Sewer Construction	1995	21,928	2015
5.62% Coy Road Sanitary Sewer	1996	84,085	2016
5.25% York Street Waterline	1997	332,000	2017
5.00% Lallendorf Road Sanitary Sewer	1998	20,542	2013
5.00% Corduroy Road Waterline	1998	103,807	2014
5.00% Shore/Yarrow Waterline Ext.	2001	48,068	2015
5.50% Navarre Sanitary Sewer	2000	150,133	2015
5.50% Spartan Infrastructure	2000	313,240	2015
5.03% Lallendorf Sewer Phase 1	2001	155,817	2016
5.03% Lallendorf Sewer Phase 2	2001	39,727	2016
5.03% Lallendorf Sewer Phase 3	2001	46,591	2016
5.03% Stadium Road Waterline	2001	156,948	2016
5.03% Sugarbush Waterline	2001	41,464	2016
5.03% Seaman Road Sewer Phase 1	2003	<u>11,762</u>	2017
Total Special Assessment Bonds Payable with Governmental Commitment		1,995,782	
Promissory Note Payable:			
4.22% Circuit 715 Lighting	2005	195,000	2015
Ohio Public Works Commission Loans:			
0.00% Sanitary Sewer Reconstruction	1997	78,499	2008
0.00% Lallendorf Road Storm Sewer Improvements	1998	468,212	2008
0.00% Raw Water Intake Rehabilitation	2000	254,612	2010
0.00% Zebra Mussel Control - Raw Water Intake	1999	309,384	2022
0.00% Water Plant Renovations - Phase I	1999	556,627	2023
0.00% Water Treatment Plant Improvements - Phase II	2001	430,371	2023
0.00% Bayshore Bridge	2003	27,785	2013
0.00% Water Treatment Plant Improvements - Phase III	2003	500,000	2024
0.00% Water Treatment Plant Improvements - Phase IV	2004	<u>560,014</u>	2025
Total Ohio Public Works Commission Loans		3,185,504	
Ohio Water Development Authority Loans:			
2.00% Oakdale Sanitary Sewer	1993	74,064	2010
7.36% Norden/Cedar Point Waterline	1993	155,545	2007
8.35% Brown Road Waterline	1993	15,511	2008
4.28% Waterplant Renovation - Phase I & II	2002	9,709,603	2022
3.65% Waterplant Renovation - Phase III	2003	<u>2,025,828</u>	2024
Total Ohio Water Development Authority Loans Payable		11,980,551	
Police and Firemen's Pension Accrued Liability	1968	<u>66,448</u>	2035
Total Governmental Activities Long-Term Debt		<u>\$21,023,285</u>	

(Continued)

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

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### NOTE 11 - LONG-TERM DEBT (Continued)

#### Business-Type Long-Term Debt:

General Obligation Bond:				
3.25%	Sewer Improvement	1998	\$3,270,000	2018
Ohio Public Works Commission Loan:				
0.00%	Sanitary Sewer Reconstruction	1994	107,041	2004
Ohio Water Development Authority Loans:				
7.51%	Bayshore Sewer (1063)	1993	3,043,455	2010
8.35%	Chlorination (0954)	1993	801,280	2008
2.20%	North Oregon Sewer (SRFA)	1995	594,919	2015
4.80%	North Oregon Sewer (SRFB)	1995	503,343	2015
3.80%	Seaman Road Trunk Sewer - Phase I	2001	1,478,707	2022
3.95%	Seaman Road Trunk Sewer - Phase II	2002	2,265,038	2023
3.50%	Stadium Road Sewer	2003	2,863,943	2023
3.35%	Pickle Road Sewer	2005	2,358,564	2025
Total Ohio Water Development Authority Loans			<u>13,909,249</u>	
Total Business-Type Activities Long-Term Debt			<u>\$17,286,290</u>	

#### **A. Special Assessments**

The principal amount of the City's special assessment debt outstanding at December 31, 2006 \$1,238,819, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$3,085 in the Special Assessment Bond Retirement Fund at December 31, 2006 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$173,055.

#### **B. Ohio Water Development Authority Loans**

The following is the significant ongoing project being funded through OWDA:

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan for \$1,664,972 to be used on Phase I of the Seaman Road Trunk. The amount is subject to change and has not been finalized. The interest rates on the loan is 3.8%, per annum. The loan is payable from sewer charges and received by the City in increments as the project is completed. As of December 31, 2006, the City had received \$1,536,860 towards the loan from OWDA. Subsequent amounts will be received in future years. An estimate of future financing requirements has been made based on the loan balance of \$1,268,179 at December 31, 2006.

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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### **NOTE 11 - LONG-TERM DEBT (Continued)**

#### **C. Police and Firemen's Pension Fund**

The City's liability for past service costs relating to the Police and Firemen's Pension Fund at December 31, 2006 was \$54,550 in principal and \$39,989 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt.

#### **D. Principal and Interest Requirements**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2006, follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$273,107	\$68,639	\$123,027	\$67,277	\$16,728	\$7,377
2008	286,738	56,607	130,188	60,218	17,441	6,664
2009	300,580	43,945	127,353	52,743	18,185	5,920
2010	89,946	30,442	133,805	45,164	18,960	5,145
2011	94,243	26,145	140,396	37,571	19,769	4,336
2012-2016	482,744	59,002	554,157	87,683	87,873	8,547
2017-2018	0	0	29,893	1,613	0	0
Totals	<u>\$1,527,358</u>	<u>\$284,780</u>	<u>\$1,238,819</u>	<u>\$352,269</u>	<u>\$178,956</u>	<u>\$37,989</u>

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# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 11 - LONG-TERM DEBT (Continued)

#### D. Principal and Interest Requirements (Continued)

Years	OWDA Loans		OPWC Loans		Police/Firemen's Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$545,179	\$464,893	\$194,049	\$0	\$1,015	\$2,308
2008	555,200	440,986	139,378	0	1,058	2,264
2009	627,496	444,965	139,384	0	1,104	2,219
2010	653,946	418,517	139,384	0	1,151	2,171
2011	676,573	390,947	139,384	0	1,201	2,122
2012-2016	2,707,748	1,500,067	565,448	0	6,823	9,789
2017-2021	3,044,633	528,226	557,114	0	8,419	8,193
2022-2026	995,080	28,468	216,892	0	8,133	5,157
2027-2035	0	0	0	0	25,646	5,766
Totals	<u>\$9,805,855</u>	<u>\$4,217,069</u>	<u>\$2,091,033</u>	<u>\$0</u>	<u>\$54,550</u>	<u>\$39,989</u>

#### Business-Type Activities

Years	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$145,000	\$104,404	\$760,761	\$429,047	\$9,670	\$0
2008	155,000	98,386	1,144,404	388,753	9,670	0
2009	160,000	90,443	736,199	349,926	9,670	0
2010	170,000	83,643	773,413	312,711	9,670	0
2011	175,000	75,908	487,485	284,851	9,670	0
2012-2016	1,005,000	252,807	2,539,308	1,169,650	48,350	0
2017-2021	470,000	32,838	2,780,250	452,743	48,350	0
2022-2026	0	0	652,588	187,823	43,507	0
Totals	<u>\$2,280,000</u>	<u>\$738,429</u>	<u>\$9,874,408</u>	<u>\$3,575,504</u>	<u>\$188,557</u>	<u>\$0</u>

#### E. Defeasance of General Obligation Debt

In December 1998, the City defeased \$1,810,000 of General Obligation Bonds for Municipal Building Improvements dated June 1, 1989 (the "1989 Bonds") through the issuance of \$1,800,000 of General Obligation Bonds for Municipal Building Improvements (the "1998 Bonds"). The net proceeds of the 1998 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$645,000 at December 31, 2006 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

### NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial five year period.

The following general obligation notes were payable at December 31, 2006:

	Maturity Date	Balance December 31, 2005	Issued (Retired)	Balance December 31, 2006
Capital Projects Notes Payable:				
1.63% Fire Equipment	2006	\$120,000	(\$120,000)	\$0
1.63% Pickle/Wheeling Intersection Imp.	2006	200,000	(200,000)	0
1.63% Parks and Recreation	2006	120,000	(120,000)	0
5.02% Wheeling Street Improvements	2007	0	450,000	450,000
Total Notes Payable		<u>\$440,000</u>	<u>\$10,000</u>	<u>\$450,000</u>

### NOTE 13 - CONSTRUCTION COMMITMENTS

As of December 31, 2006, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Coy Road Sanitary Sewer	\$908,199	June 2007
Cedar Point Development Park Phase 1	1,350,000	December 2007
Starr and Wheeling Intersection Imp.	556,750	May 2007
Municipal Complex Bikeway	342,878	May 2007
Big Ditch (Stadium Road) Enclosure	3,346,307	December 2008
Heckman Ditch (Wynn Road) Relocation	2,259,989	December 2008
Coy/Pickle Intersection Improvements	597,950	May 2008
Coy/Starr Intersection Improvements	499,700	May 2009
Pearson Park Bikeway	500,000	December 2008
Elevated Water Tank	3,000,000	December 2009
Wheeling Street Improvements	5,420,226	December 2008
Total	<u>\$18,781,999</u>	

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2006

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### NOTE 14 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In August 2004, the City joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 585 member political subdivisions. The City pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

The City participates in the Ohio Rural Water Association Group Rating Plan (the ORWA), an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The intent of the ORWA is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the ORWA. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the ORWA. Each participant pays its workers' compensation premium to the State based on the rate for the ORWA rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the ORWA. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ORWA. Participation in the ORWA is limited to entities that can meet the ORWA's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the ORWA.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

#### **A. Dental Self Insurance Fund**

The City established an internal service fund, the Self Insurance Dental / Emergency Room Fund, to receive payments from each fund based upon employee participation, to cover the cost of participant and dependent coverage under the plan. GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Management Omnibus," requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported at year end were determined to be immaterial, therefore no liability has been recorded. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2005	\$0	\$39,308	(\$39,308)	\$0
2006	0	30,818	(30,818)	0

# **CITY OF OREGON, OHIO**

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## **Notes to the Basic Financial Statements For the Year Ended December 31, 2006**

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### **NOTE 14 - INSURANCE AND RISK MANAGEMENT (Continued)**

#### **B. Workers' Compensation Internal Service Fund**

The City previously participated in the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Program for premium periods 1996 and 1997. Retrospective (Retro) Rating is best described as a quasi self-insured program, which shifts a selected level of risk to the employer in return for a reduction in premium. Under the Retro plan employers are responsible for actual claims cost on all claims occurring within the program period. Retro claims have a ten-year life commencing with the date of injury. Claims cost for Retro claims incurred beyond ten years from the date of injury will be assumed by the Bureau. The City has a claims limit of \$250,000 per claim with a billable ceiling of \$600,867 for 1996 and \$524,238 for 1997. Changes in the Workers' Compensation Internal Service Fund's claims liability amount in fiscal 2006 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2005	\$236,983	\$18,447	(\$18,447)	\$236,983
2006	236,983	0	0	236,983

### **NOTE 15 - CONTINGENCIES**

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

The City has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

### **NOTE 16 - COMPLIANCE AND ACCOUNTABILITY**

**Non Compliant Transfers** - The City made transfers during the year without proper certification from the City Council contrary to Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. The City is working to remedy this situation in the future.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Oregon  
Lucas County  
5330 Seaman Road  
Oregon, OH 43616

To City Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Oregon, Lucas County, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's financial statements and have issued our report thereon dated June 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City'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 a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2006-002, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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 deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Finding as item 2006-001.

We also noted certain matters that we have reported to management of the City in a separate letter dated June 7, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

***Charles E. Harris and Associates, Inc.***

June 7, 2007

**CITY OF OREGON  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.15, 16 and 17 state that money may be transferred from one fund to another fund of the subdivision by approval of the taxing authority. These sections set out individual stipulations for various types of transfers.**

**During the audit period, we noted that there were significant interfund transfers that were not approved by a specific ordinance. The Council budgeted for these transfers at the beginning of the year but Council also needs to approve each transfer as it is made. We recommend that the Council approve each individual transfer by specific ordinance before it is made.**

**The City agrees and will implement this policy.**

**FINDING NUMBER 2006-002**

**Material Weakness**

**During our testing of capital assets, we noted that the City required a material restatement of capital assets due to an error in a spreadsheet in the GAAP conversion workpapers in 2005. We recommend the City and the GAAP conversion specialist ensure that all calculations are accurate in the workpapers. This will improve internal controls over capital assets by ensuring that all amounts included in the financial report are accurate.**

**Management indicated that they were proactive in initiating this restatement and that it should be a one time occurrence. They feel their controls over capital assets and the GAAP conversion are strong.**

CITY OF OREGON  
LUCAS COUNTY, OHIO  
For the Year Ended December 31, 2006

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit, for the year ended December 31, 2005, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**CITY OF OREGON**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 13, 2007**