

***CITY OF OREGON***

**LUCAS COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2007**

***Charles E. Harris and 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, 2007 through December 31, 2007. 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

August 15, 2008

**This Page is Intentionally Left Blank.**

**CITY OF OREGON  
LUCAS COUNTY, OHIO  
Audit Report  
For the year ended December 31, 2007**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Assessment Street Light fund	24
Statement of Revenues, Expenditures and Changes in Fund Fund Balances – Budget and Actual – Special Assessment Sewer Maintenance Fund	25
Statement of Net Assets – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Statement of Net Assets – Fiduciary Funds	29
Statement of Changes in Net Assets – Fiduciary Funds – Private Purpose Trust	30
Notes to the Basic Financial Statements	31
Schedule of Federal Awards Expenditures	67
Notes to the Schedule of Federal Awards Expenditures	68
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	69
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	71
Schedule of Findings and Questioned Costs	73
Schedule of Prior Audit Findings	75

**This Page is Intentionally Left Blank.**

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the City Council:

We have audited the accompanying 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund and each major special revenue fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

The 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2008 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, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oregon's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

*Charles E. Harris & Associates, Inc.*

June 12, 2008

# **CITY OF OREGON, OHIO**

---

## ***Management's Discussion and Analysis For the Year Ended December 31, 2007***

***Unaudited***

---

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, 2007. 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 2007 are as follows:

- ❑ In total, net assets increased \$8,605,926. Net assets of governmental activities increased \$8,717,523, which represents a 15.5% increase from 2006. Net assets of business-type activities decreased \$111,597, a small decrease from 2006.
- ❑ General revenues accounted for \$24.5 million in revenue or 60% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 40% of total revenues of \$40,748,976.
- ❑ The City had \$22.8 million in expenses related to governmental activities; only \$7.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$24.5 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$21.2 million in revenues and \$14.6 million in expenditures. The general fund's fund balance increased \$3,303,296 to \$13,848,427.
- ❑ Net assets for enterprise funds decreased by \$111,597.

### **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**

---

***Management's Discussion and Analysis  
For the Year Ended December 31, 2007***

***Unaudited***

---

## **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, 2007

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 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$50,806,903	\$44,557,255	\$5,588,720	\$6,090,398	\$56,395,623	\$50,647,653
Capital assets, Net	33,889,649	32,640,938	54,787,754	54,947,395	88,677,403	87,588,333
Total assets	84,696,552	77,198,193	60,376,474	61,037,793	145,073,026	138,235,986
Long-term debt outstanding	16,653,402	16,759,705	12,424,240	12,904,940	29,077,642	29,664,645
Other liabilities	3,211,614	4,324,475	195,635	264,657	3,407,249	4,589,132
Total liabilities	19,865,016	21,084,180	12,619,875	13,169,597	32,484,891	34,253,777
Net assets						
Invested in capital assets, net of related debt	30,332,585	17,348,917	42,954,244	42,604,430	73,286,829	59,953,347
Restricted	25,918,573	22,992,902	0	0	25,918,573	22,992,902
Unrestricted	8,580,378	15,772,194	4,802,355	5,263,766	13,382,733	21,035,960
Total net assets	\$64,831,536	\$56,114,013	\$47,756,599	\$47,868,196	\$112,588,135	\$103,982,209

This space intentionally left blank

# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2007

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services and Sales	\$3,762,240	\$2,667,490	\$7,903,572	\$6,793,419	\$11,665,812	\$9,460,909
Operating Grants and Contributions	1,700,169	961,335	0	0	1,700,169	961,335
Capital Grants and Contributions	1,652,633	976,736	1,201,860	401,015	2,854,493	1,377,751
General revenues:			0	0	0	
Property Taxes	1,636,769	1,896,496	0	0	1,636,769	1,896,496
Income Taxes	17,949,153	15,370,554	0	0	17,949,153	15,370,554
Shared Revenues	2,987,149	2,128,054	0	0	2,987,149	2,128,054
Investment Earnings	1,589,541	1,224,381	0	4,576	1,589,541	1,228,957
Miscellaneous	365,890	1,109,699	0	0	365,890	1,109,699
Total Revenues	<u>31,643,544</u>	<u>26,334,745</u>	<u>9,105,432</u>	<u>7,199,010</u>	<u>40,748,976</u>	<u>33,533,755</u>
Program Expenses						
Security of Persons and Property	10,266,136	9,683,708	0	0	10,266,136	9,683,708
Public Health and Welfare Services	426,974	410,619	0	0	426,974	410,619
Leisure Time Activities	990,836	945,363	0	0	990,836	945,363
Community Environment	1,504,683	968,781	0	0	1,504,683	968,781
Basic Utility Services	743,755	308,707	0	0	743,755	308,707
Transportation	3,702,488	4,452,372	0	0	3,702,488	4,452,372
General Government	4,807,480	4,871,244	0	0	4,807,480	4,871,244
Interest and Fiscal Charges	428,746	585,074	0	0	428,746	585,074
Water	0	0	4,028,277	3,995,432	4,028,277	3,995,432
Sewer	0	0	5,243,675	4,745,001	5,243,675	4,745,001
Total Expenses	<u>22,871,098</u>	<u>22,225,868</u>	<u>9,271,952</u>	<u>8,740,433</u>	<u>32,143,050</u>	<u>30,966,301</u>
Excess (Deficiency) Before Transfers	8,772,446	4,108,877	(166,520)	(1,541,423)	8,605,926	2,567,454
Transfers In (Out)	(54,923)	(1,134,274)	54,923	1,134,274	0	0
Total Change in Net Assets	<u>8,717,523</u>	<u>2,974,603</u>	<u>(111,597)</u>	<u>(407,149)</u>	<u>8,605,926</u>	<u>2,567,454</u>
Beginning Net Assets - Restated	<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>
Ending Net Assets	<u>\$64,831,536</u>	<u>\$56,114,013</u>	<u>\$47,756,599</u>	<u>\$47,868,196</u>	<u>\$112,588,135</u>	<u>\$103,982,209</u>

# CITY OF OREGON, OHIO

---

*Management's Discussion and Analysis  
For the Year Ended December 31, 2007*

*Unaudited*

---

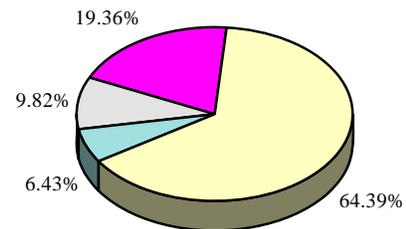
## **Governmental Activities**

Net assets of the City's governmental activities increased by \$8,717,523. This was due primarily to an increase in tax and program revenues.

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 5.4% and 58.99% 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 64.39% of total revenues from general tax revenues:

<u>Revenue Sources</u>	<u>2007</u>	<u>Percent of Total</u>
General Shared Revenues	\$2,987,149	9.82%
Program Revenues	5,890,053	19.36%
General Tax Revenues	19,585,922	64.39%
General Other	1,955,431	6.43%
Total Revenue	<u>\$30,418,555</u>	<u>100.00%</u>



## **Business-Type Activities**

Net assets of the business-type activities decreased by \$111,597. This decrease was due to an increase in sewer expenses.

# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2007

Unaudited

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$27,945,426, which is an increase from last year's balance of \$22,327,740. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2007 and 2006:

	Fund Balance December 31, 2007	Fund Balance December 31, 2006	Increase (Decrease)
General	\$13,848,427	\$10,545,131	\$3,303,296
Special Assessment Street Light	76,149	208,003	(131,854)
Special Assessment Sewer Maintenance	(1,393)	41,670	(43,063)
Special Assessment Bond Retirement	6,251	3,085	3,166
Other Governmental	14,015,992	11,529,851	2,486,141
Total	<u>\$27,945,426</u>	<u>\$22,327,740</u>	<u>\$5,617,686</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:

	2007 Revenues	2006 Revenues	Increase (Decrease)
Taxes	\$15,976,144	\$13,932,216	\$2,043,928
Intergovernmental Revenue	1,379,801	1,341,559	38,242
Charges for Services	1,480,058	1,248,619	231,439
Fines, Licenses and Permits	749,938	738,280	11,658
Investment Earnings	1,458,268	1,109,851	348,417
Special Assessments	5,114	6,001	(887)
All Other Revenue	214,453	262,889	(48,436)
Total	<u>\$21,263,776</u>	<u>\$18,639,415</u>	<u>\$2,624,361</u>

General Fund revenues in 2007 increased approximately 14.1% compared to revenues in fiscal year 2006. The most significant factor contributing to this increase was an increase in income taxes.

	2007 Expenditures	2006 Expenditures	Increase (Decrease)
Security of Persons and Property	\$7,607,704	\$7,647,650	(\$39,946)
Public Health and Welfare Services	406,642	380,033	26,609
Leisure Time Activities	7,100	5,610	1,490
Community Environment	628,972	587,110	41,862
Transportation	2,455,494	2,428,037	27,457
General Government	3,530,088	3,258,915	271,173
Total	<u>\$14,636,000</u>	<u>\$14,307,355</u>	<u>\$328,645</u>

General Fund expenditures increased by \$328,645 or 2.3% 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, 2007*

*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 2007 the City amended its General Fund budget several times.

For the General Fund, final budget basis revenue of \$17.9 million did not significantly change over the original budget estimates of \$18 million. The General Fund had an adequate fund balance to cover expenditures.

## CHANGE IN FUND BALANCES

The decrease in fund balance for the Special Assessment Sewer Maintenance Fund can be attributed to a decrease in special assessment collections during 2007.

The decrease in fund balance for the Special Assessment Street Light Fund can be attributed to a decrease in special assessment collections during 2007.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal 2007 the City had \$88,677,403 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$33,889,649 was related to governmental activities and \$54,787,754 to business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$6,649,371	\$6,255,214	\$394,157
Construction in Progress	2,068,631	646,131	1,422,500
Buildings and Improvements	7,355,264	7,490,450	(135,186)
Machinery and Equipment	3,815,646	3,737,742	77,904
Vehicles	6,392,747	6,132,250	260,497
Infrastructure	40,519,449	39,702,051	817,398
Less: Accumulated Depreciation	(32,911,459)	(31,322,900)	(1,588,559)
Totals	<u>\$33,889,649</u>	<u>\$32,640,938</u>	<u>\$1,248,711</u>
	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$1,737,645	\$1,737,645	\$0
Construction in Progress	18,102,843	17,143,886	958,957
Buildings and Distribution	57,534,976	56,425,338	1,109,638
Machinery and Equipment	23,677,529	23,641,534	35,995
Vehicles	839,219	819,469	19,750
Less: Accumulated Depreciation	(47,104,458)	(44,820,477)	(2,283,981)
Totals	<u>\$54,787,754</u>	<u>\$54,947,395</u>	<u>(\$159,641)</u>

# **CITY OF OREGON, OHIO**

---

## ***Management's Discussion and Analysis For the Year Ended December 31, 2007***

***Unaudited***

---

The primary increases occurred in construction in progress and buildings and distribution. This was due to the construction of the Cedar Point Development Park and the related sewer project on Corduroy Road.

As of December 31, 2007, the City has contractual commitments of \$22,217,481, as listed in Note 12, for various projects. Included in these projects are the street improvements, water 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 7.

### ***Debt***

At December 31, 2007, the City had \$5.1 million in bonds outstanding, \$576,528 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Governmental Activities:		
General Obligation Bonds	\$1,829,251	\$1,527,358
Special Assessment Bonds	1,115,584	1,238,819
Promissory Note	162,228	178,956
OWDA Loans Payable	9,499,028	9,805,855
OPWC Loans Payable	1,950,968	2,091,033
Pension Liability	53,535	54,550
Compensated Absences	2,042,808	1,863,134
Total Governmental Activities	<u>16,653,402</u>	<u>16,759,705</u>
Business-Type Activities:		
General Obligation Bonds	\$2,135,000	\$2,280,000
OWDA Loans Payable	9,519,623	9,874,408
OPWC Loans Payable	178,887	188,557
Compensated Absences	590,730	561,975
Total Business-Type Activities	<u>12,424,240</u>	<u>12,904,940</u>
Totals	<u>\$29,077,642</u>	<u>\$29,664,645</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, 2007, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

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

---

***Management's Discussion and Analysis  
For the Year Ended December 31, 2007***

***Unaudited***

---

## **ECONOMIC FACTORS**

The City's original budget for 2007 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 2006. 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 2007 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.

This Page Intentionally Left Blank

# CITY OF OREGON, OHIO

## Statement of Net Assets December 31, 2007

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,346,999	\$ 39,816	\$ 2,386,815
Investments	23,936,122	4,036,410	27,972,532
Receivables:			
Taxes	5,153,083	0	5,153,083
Accounts	146,194	1,081,704	1,227,898
Intergovernmental	1,959,503	0	1,959,503
Interest	354,023	0	354,023
Special Assessments	16,418,257	0	16,418,257
Loans	212,053	0	212,053
Internal Balances	(95,040)	95,040	0
Inventory of Supplies at Cost	274,686	258,733	533,419
Prepaid Items	101,023	77,017	178,040
Capital Assets:			
Capital Assets Not Being Depreciated	8,718,002	19,840,488	28,558,490
Capital Assets Being Depreciated, Net	25,171,647	34,947,266	60,118,913
<b>Total Assets</b>	<b>84,696,552</b>	<b>60,376,474</b>	<b>145,073,026</b>
<b>Liabilities:</b>			
Accounts Payable	238,204	75,048	313,252
Accrued Wages and Benefits	771,873	114,805	886,678
Intergovernmental Payable	4,986	0	4,986
Unearned Revenue	1,736,878	0	1,736,878
Accrued Interest Payable	9,673	5,782	15,455
General Obligation Notes Payable	450,000	0	450,000
Noncurrent liabilities:			
Due within one year	1,819,360	1,123,522	2,942,882
Due in more than one year	14,834,042	11,300,718	26,134,760
<b>Total Liabilities</b>	<b>19,865,016</b>	<b>12,619,875</b>	<b>32,484,891</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	30,332,585	42,954,244	73,286,829
Restricted For:			
Capital Projects	7,872,340	0	7,872,340
Debt Service	10,771,216	0	10,771,216
Street Construction, Maintenance and Repair	775,073	0	775,073
Court Special Projects	272,479	0	272,479
Housing Assistance	846,242	0	846,242
Solid Waste	967,321	0	967,321
Storm Sewer Project	2,239,757	0	2,239,757
Street Lighting	76,149	0	76,149
Hazardous Waste Landfill	114,270	0	114,270
Perpetual Care:			
Nonexpendable	83,015	0	83,015
Other Purposes	1,900,711	0	1,900,711
Unrestricted	8,580,378	4,802,355	13,382,733
<b>Total Net Assets</b>	<b>\$ 64,831,536</b>	<b>\$ 47,756,599</b>	<b>\$ 112,588,135</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Activities For the Year Ended December 31, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 10,266,136	\$ 453,966	\$ 132,712	\$ 567,380
Public Health and Welfare Services	426,974	67,798	0	0
Leisure Time Activities	990,836	297,916	0	0
Community Environment	1,504,683	1,193,183	643,938	0
Basic Utility Services	743,755	0	0	451,719
Transportation	3,702,488	42,815	923,519	620,088
General Government	4,807,480	1,706,562	0	13,446
Interest and Fiscal Charges	428,746	0	0	0
<b>Total Governmental Activities</b>	<b>22,871,098</b>	<b>3,762,240</b>	<b>1,700,169</b>	<b>1,652,633</b>
<b>Business-Type Activities:</b>				
Water	4,028,277	4,484,559	0	216,805
Sewer	5,243,675	3,419,013	0	985,055
<b>Total Business-Type Activities</b>	<b>9,271,952</b>	<b>7,903,572</b>	<b>0</b>	<b>1,201,860</b>
<b>Totals</b>	<b>\$ 32,143,050</b>	<b>\$ 11,665,812</b>	<b>\$ 1,700,169</b>	<b>\$ 2,854,493</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  
 Net Assets End of Year

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (9,112,078)	\$ 0	\$ (9,112,078)
(359,176)	0	(359,176)
(692,920)	0	(692,920)
332,438	0	332,438
(292,036)	0	(292,036)
(2,116,066)	0	(2,116,066)
(3,087,472)	0	(3,087,472)
(428,746)	0	(428,746)
<u>(15,756,056)</u>	<u>0</u>	<u>(15,756,056)</u>
0	673,087	673,087
0	(839,607)	(839,607)
0	(166,520)	(166,520)
<u>(15,756,056)</u>	<u>(166,520)</u>	<u>(15,922,576)</u>
1,636,769	0	1,636,769
17,949,153	0	17,949,153
2,987,149	0	2,987,149
1,589,541	0	1,589,541
365,890	0	365,890
(54,923)	54,923	0
<u>24,473,579</u>	<u>54,923</u>	<u>24,528,502</u>
8,717,523	(111,597)	8,605,926
<u>56,114,013</u>	<u>47,868,196</u>	<u>103,982,209</u>
<u>\$ 64,831,536</u>	<u>\$ 47,756,599</u>	<u>\$ 112,588,135</u>

# CITY OF OREGON, OHIO

## Balance Sheet Governmental Funds December 31, 2007

	General	Special Assessment Street Light	Special Assessment Sewer Maintenance	Special Assessment Bond Retirement
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 111,782	\$ 961	\$ 2,662	\$ 6,251
Investments	11,323,632	97,416	0	0
Receivables:				
Taxes	3,968,062	0	0	0
Accounts	77,898	0	0	0
Intergovernmental	625,297	0	0	0
Interest	351,657	0	0	0
Special Assessments	215,562	2,945,541	2,457,054	10,766,738
Loans	0	0	0	0
Inventory of Supplies, at Cost	274,686	0	0	0
Prepaid Items	101,023	0	0	0
<b>Total Assets</b>	<b>\$ 17,049,599</b>	<b>\$ 3,043,918</b>	<b>\$ 2,459,716</b>	<b>\$ 10,772,989</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 115,077	\$ 22,228	\$ 355	\$ 0
Accrued Wages and Benefits Payable	534,430	0	3,700	0
Intergovernmental Payable	4,986	0	0	0
Deferred Revenue	2,546,679	2,945,541	2,457,054	10,766,738
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
<b>Total Liabilities</b>	<b>3,201,172</b>	<b>2,967,769</b>	<b>2,461,109</b>	<b>10,766,738</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	452,260	0	200	0
Reserved for Prepaid Items	101,023	0	0	0
Reserved for Supplies Inventory	274,686	0	0	0
Reserved for Endowments	0	0	0	0
Undesignated/Unreserved in:				
General Fund	13,020,458	0	0	0
Special Revenue Funds	0	76,149	(1,593)	0
Debt Service Funds	0	0	0	6,251
Capital Projects Funds	0	0	0	0
<b>Total Fund Balances</b>	<b>13,848,427</b>	<b>76,149</b>	<b>(1,393)</b>	<b>6,251</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 17,049,599</b>	<b>\$ 3,043,918</b>	<b>\$ 2,459,716</b>	<b>\$ 10,772,989</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

---

---

Other Governmental Funds	Total Governmental Funds
\$ 2,158,333	\$ 2,279,989
11,872,844	23,293,892
1,185,021	5,153,083
68,296	146,194
1,334,206	1,959,503
2,366	354,023
33,362	16,418,257
212,053	212,053
0	274,686
0	101,023
<u>\$ 16,866,481</u>	<u>\$ 50,192,703</u>
\$ 96,344	\$ 234,004
233,743	771,873
0	4,986
2,064,775	20,780,787
5,627	5,627
450,000	450,000
<u>2,850,489</u>	<u>22,247,277</u>
1,723,686	2,176,146
0	101,023
0	274,686
83,015	83,015
0	13,020,458
4,938,595	5,013,151
2,273	8,524
7,268,423	7,268,423
<u>14,015,992</u>	<u>27,945,426</u>
<u>\$ 16,866,481</u>	<u>\$ 50,192,703</u>

## **CITY OF OREGON, OHIO**

---

### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2007***

---

<b>Total Governmental Fund Balances</b>	\$ 27,945,426
<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.	33,889,649
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	19,043,909
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.	610,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,657,448)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 64,831,536</u></u></b>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

# CITY OF OREGON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2007

	General	Special Assessment Street Light	Special Assessment Sewer Maintenance	Special Assessment Bond Retirement
<b>Revenues:</b>				
Property Taxes	\$ 1,197,776	\$ 0	\$ 0	\$ 0
Municipal Income Taxes	14,778,368	0	0	0
Intergovernmental Revenues	1,379,801	0	0	0
Charges for Services	1,480,058	0	0	0
Licenses, Permits and Fees	378,242	0	0	0
Investment Earnings	1,458,268	0	0	0
Special Assessments	5,114	259,118	181,001	329,952
Fines and Forfeitures	371,696	0	0	0
All Other Revenue	214,453	0	0	0
<b>Total Revenue</b>	<b>21,263,776</b>	<b>259,118</b>	<b>181,001</b>	<b>329,952</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	7,607,704	265,624	0	0
Public Health and Welfare Services	406,642	0	0	0
Leisure Time Activities	7,100	0	0	0
Community Environment	628,972	0	0	0
Basic Utility Services	0	0	224,064	0
Transportation	2,455,494	0	0	0
General Government	3,530,088	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	624,885
Interest & Fiscal Charges	0	0	0	358,083
<b>Total Expenditures</b>	<b>14,636,000</b>	<b>265,624</b>	<b>224,064</b>	<b>982,968</b>
Excess (Deficiency) of Revenues Over Expenditures	6,627,776	(6,506)	(43,063)	(653,016)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	5,517	0	0	0
Special Assessment Bonds Issued	0	0	0	0
OPWC Loans Issued	0	0	0	0
OWDA Loans Issued	0	0	0	0
Transfers In	0	0	0	656,182
Transfers Out	(3,261,600)	(125,348)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(3,256,083)</b>	<b>(125,348)</b>	<b>0</b>	<b>656,182</b>
Net Change in Fund Balances	3,371,693	(131,854)	(43,063)	3,166
<b>Fund Balances at Beginning of Year</b>	<b>10,545,131</b>	<b>208,003</b>	<b>41,670</b>	<b>3,085</b>
Decrease in Inventory Reserve	(68,397)	0	0	0
<b>Fund Balances (Deficit) End of Year</b>	<b>\$ 13,848,427</b>	<b>\$ 76,149</b>	<b>\$ (1,393)</b>	<b>\$ 6,251</b>

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

---

Other Governmental Funds	Total Governmental Funds
\$ 643,824	\$ 1,841,600
2,991,853	17,770,221
2,811,922	4,191,723
465,837	1,945,895
0	378,242
24,295	1,482,563
24,408	799,593
164,951	536,647
931,494	1,145,947
<u>8,058,584</u>	<u>30,092,431</u>
2,188,287	10,061,615
3,064	409,706
1,004,775	1,011,875
850,469	1,479,441
519,691	743,755
1,099,081	3,554,575
1,141,882	4,671,970
1,737,040	1,737,040
493,892	1,118,777
73,844	431,927
<u>9,112,025</u>	<u>25,220,681</u>
(1,053,441)	4,871,750
29,924	35,441
575,000	575,000
63,992	63,992
194,823	194,823
4,053,381	4,709,563
(1,377,538)	(4,764,486)
<u>3,539,582</u>	<u>814,333</u>
2,486,141	5,686,083
11,529,851	22,327,740
0	(68,397)
<u>\$ 14,015,992</u>	<u>\$ 27,945,426</u>

# CITY OF OREGON, OHIO

---

## ***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, 2007***

---

Net Change in Fund Balances - Total Governmental Funds \$ 5,686,083

***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. 1,405,294

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 capital assets net of proceeds received. (156,583)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,515,672

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. 285,977

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,181

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. (248,071)

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. 225,970

***Change in Net Assets of Governmental Activities*** \$ 8,717,523

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, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 950,200	\$ 950,200	\$ 1,197,776	\$ 247,576
Municipal Income Taxes	10,598,708	10,552,908	14,280,634	3,727,726
Intergovernmental Revenue	2,209,000	2,209,000	1,385,135	(823,865)
Charges for Services	1,444,989	1,444,989	1,475,445	30,456
Licenses, Permits and Fees	213,600	213,600	378,242	164,642
Investment Earnings	800,000	800,000	1,455,803	655,803
Special Assessments	4,031	4,031	5,114	1,083
Fines and Forfeitures	302,300	302,300	375,259	72,959
All Other Revenues	152,500	152,500	219,344	66,844
Total Revenues	<u>16,675,328</u>	<u>16,629,528</u>	<u>20,772,752</u>	<u>4,143,224</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	7,520,506	8,208,662	7,950,792	257,870
Public Health and Welfare Services	402,350	442,123	439,341	2,782
Leisure Time Activities	5,000	7,100	7,100	0
Community Environment	639,560	655,070	638,462	16,608
Transportation	2,401,804	2,697,027	2,582,537	114,490
General Government	3,479,543	3,894,882	3,691,630	203,252
Total Expenditures	<u>14,448,763</u>	<u>15,904,864</u>	<u>15,309,862</u>	<u>595,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,226,565	724,664	5,462,890	4,738,226
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,000	1,000	5,517	4,517
Transfers In	1,326,843	1,326,843	1,326,843	0
Transfers Out	(4,697,945)	(4,700,345)	(4,588,443)	111,902
Total Other Financing Sources (Uses):	<u>(3,370,102)</u>	<u>(3,372,502)</u>	<u>(3,256,083)</u>	<u>116,419</u>
Net Change In Fund Balance	(1,143,537)	(2,647,838)	2,206,807	4,854,645
Fund Balance at Beginning of Year	8,269,483	8,269,483	8,269,483	0
Prior Year Encumbrances	434,990	434,990	434,990	0
Fund Balance at End of Year	<u>\$ 7,560,936</u>	<u>\$ 6,056,635</u>	<u>\$ 10,911,280</u>	<u>\$ 4,854,645</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Special Assessments	\$ 239,778	\$ 239,778	\$ 259,118	\$ 19,340
Total Revenues	<u>239,778</u>	<u>239,778</u>	<u>259,118</u>	<u>19,340</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	217,250	266,400	263,901	2,499
Total Expenditures	<u>217,250</u>	<u>266,400</u>	<u>263,901</u>	<u>2,499</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,528	(26,622)	(4,783)	21,839
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0	(125,348)	(125,348)	0
Total Other Financing Sources (Uses):	<u>0</u>	<u>(125,348)</u>	<u>(125,348)</u>	<u>0</u>
Net Change In Fund Balance	22,528	(151,970)	(130,131)	21,839
Fund Balance at Beginning of Year	228,508	228,508	228,508	0
Fund Balance at End of Year	<u>\$ 251,036</u>	<u>\$ 76,538</u>	<u>\$ 98,377</u>	<u>\$ 21,839</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 Sewer Maintenance Fund For the Year Ended December 31, 2007*

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Special Assessments	<u>\$ 181,188</u>	<u>\$ 181,188</u>	<u>\$ 181,001</u>	<u>\$ (187)</u>
Total Revenues	<u>181,188</u>	<u>181,188</u>	<u>181,001</u>	<u>(187)</u>
<b>Expenditures:</b>				
Current:				
Basic Utility Services	<u>221,108</u>	<u>227,433</u>	<u>227,433</u>	<u>0</u>
Total Expenditures	<u>221,108</u>	<u>227,433</u>	<u>227,433</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,920)	(46,245)	(46,432)	(187)
Fund Balance at Beginning of Year	47,094	47,094	47,094	0
Prior Year Encumbrances	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,974</u>	<u>\$ 2,649</u>	<u>\$ 2,462</u>	<u>\$ (187)</u>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Net Assets Proprietary Funds December 31, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>ASSETS</b>				
Current assets:				
Cash and Cash Equivalents	\$ 22,086	\$ 17,730	\$ 39,816	\$ 67,010
Investments	2,238,970	1,797,440	4,036,410	642,230
Accounts receivable (net of allow for uncollectibles)	614,512	467,192	1,081,704	0
Inventory of Supplies at Cost	242,649	16,084	258,733	0
Prepaid Items	38,129	38,888	77,017	0
Total current assets	<u>3,156,346</u>	<u>2,337,334</u>	<u>5,493,680</u>	<u>709,240</u>
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	28,072,601	55,716,768	83,789,369	0
Construction in Progress	1,030,879	17,071,964	18,102,843	0
Less accumulated depreciation	(18,240,878)	(28,863,580)	(47,104,458)	0
Total capital assets (net of accumulated depr)	<u>10,862,602</u>	<u>43,925,152</u>	<u>54,787,754</u>	<u>0</u>
Total noncurrent assets	<u>10,862,602</u>	<u>43,925,152</u>	<u>54,787,754</u>	<u>0</u>
Total assets	<u>14,018,948</u>	<u>46,262,486</u>	<u>60,281,434</u>	<u>709,240</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts Payable	42,221	32,827	75,048	4,200
Accrued Wages and Benefits	67,475	47,330	114,805	0
Accrued Interest Payable	0	5,782	5,782	0
General Obligation Bonds Payable - Current	0	155,000	155,000	0
OWDA Loans Payable - Current	0	770,943	770,943	0
OPWC Loans Payable - Current	0	9,670	9,670	0
Total Current Liabilities	<u>109,696</u>	<u>1,021,552</u>	<u>1,131,248</u>	<u>4,200</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable	0	1,980,000	1,980,000	0
OWDA Loans Payable	0	8,748,680	8,748,680	0
OPWC Loans Payable	0	169,217	169,217	0
Compensated Absences Payable	336,025	254,705	590,730	0
Total noncurrent liabilities	<u>336,025</u>	<u>11,152,602</u>	<u>11,488,627</u>	<u>0</u>
<b>Total Liabilities</b>	<u>445,721</u>	<u>12,174,154</u>	<u>12,619,875</u>	<u>4,200</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	10,862,602	32,091,642	42,954,244	0
Unrestricted	2,710,625	1,996,690	4,707,315	705,040
Total Net Assets	<u>\$ 13,573,227</u>	<u>\$ 34,088,332</u>	<u>47,661,559</u>	<u>\$ 705,040</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			95,040	
Net Assets of Business-type Activities			<u>\$ 47,756,599</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, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>Operating Revenues:</b>				
Charges for Services	\$ 4,449,111	\$ 3,429,801	\$ 7,878,912	\$ 71,176
Other Charges for Services	1,203	961	2,164	0
Other Operating Revenues	34,245	2,367	36,612	260,419
<b>Total Operating Revenues</b>	<b>4,484,559</b>	<b>3,433,129</b>	<b>7,917,688</b>	<b>331,595</b>
<b>Operating Expenses:</b>				
Personal Services	1,753,326	1,178,165	2,931,491	65,286
Contractual Services	943,278	1,267,289	2,210,567	4,200
Materials and Supplies	401,873	58,601	460,474	0
Utilities	319,172	422,807	741,979	0
Depreciation	632,072	1,663,447	2,295,519	0
<b>Total Operating Expenses</b>	<b>4,049,721</b>	<b>4,590,309</b>	<b>8,640,030</b>	<b>69,486</b>
<b>Operating Income (Loss)</b>	<b>434,838</b>	<b>(1,157,180)</b>	<b>(722,342)</b>	<b>262,109</b>
<b>Non-Operating Revenue (Expenses):</b>				
Interest and Fiscal Charges	0	(668,061)	(668,061)	0
Loss on Sale of Capital Assets	0	(14,116)	(14,116)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<b>0</b>	<b>(682,177)</b>	<b>(682,177)</b>	<b>0</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>434,838</b>	<b>(1,839,357)</b>	<b>(1,404,519)</b>	<b>262,109</b>
Capital Contributions	216,805	985,055	1,201,860	0
Transfers In	150,000	54,923	204,923	0
Transfers Out	0	(150,000)	(150,000)	0
<b>Change in Net Assets</b>	<b>801,643</b>	<b>(949,379)</b>	<b>(147,736)</b>	<b>262,109</b>
Net Assets Beginning of Year	12,771,584	35,037,711	47,809,295	442,931
<b>Net Assets End of Year</b>	<b>\$ 13,573,227</b>	<b>\$ 34,088,332</b>	<b>47,661,559</b>	<b>\$ 705,040</b>
Change in Net Assets - Total Enterprise Funds			(147,736)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			36,139	
Change in Net Assets - Business-type Activities			<u><u>\$ (111,597)</u></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, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Totals	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$4,461,888	\$3,401,572	\$7,863,460	\$94,612
Cash Payments for Goods and Services	(1,739,176)	(1,764,836)	(3,504,012)	0
Cash Payments to Employees	(1,762,114)	(1,183,194)	(2,945,308)	(58,959)
Net Cash Provided by Operating Activities	960,598	453,542	1,414,140	35,653
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	150,000	54,923	204,923	0
Transfers Out to Other Funds	0	(150,000)	(150,000)	0
Net Cash Provided by Noncapital Financing Activities	150,000	(95,077)	54,923	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Intergovernmental Grants	0	371,063	371,063	0
Acquisition and Construction of Assets	(391,382)	(741,023)	(1,132,405)	0
Principal Paid on General Obligation Bonds	0	(145,000)	(145,000)	0
Proceeds from Ohio Water Development Authority Loans	0	436,749	436,749	0
Principal Paid on Ohio Water Development Authority Loans	0	(791,534)	(791,534)	0
Principal Paid on Ohio Public Works Commission Loan	0	(9,670)	(9,670)	0
Interest Paid on All Debt	0	(871,239)	(871,239)	0
Net Cash Used for Capital and Related Financing Activities	(391,382)	(1,750,654)	(2,142,036)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	1,174,708	1,174,708	0
Purchase of Investments	(810,201)	0	(810,201)	(59,436)
Receipts of Interest	0	0	0	0
Net Cash Provided (Used) by Investing Activities	(810,201)	1,174,708	364,507	(59,436)
Net Decrease in Cash and Cash Equivalents	(90,985)	(217,481)	(308,466)	(23,783)
Cash and Cash Equivalents at Beginning of Year	113,071	235,211	348,282	90,793
Cash and Cash Equivalents at End of Year	\$22,086	\$17,730	\$39,816	\$67,010
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$434,838	(\$1,157,180)	(\$722,342)	\$262,109
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Miscellaneous Nonoperating Income	0	1,827	1,827	0
Depreciation Expense	632,072	1,663,447	2,295,519	0
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(22,671)	(31,557)	(54,228)	0
Increase in Inventory	(77,417)	(9,913)	(87,330)	0
Decrease in Prepaid Items	2,790	3,612	6,402	6,327
Increase (Decrease) in Accounts Payable	(226)	(11,665)	(11,891)	4,200
Decrease in Accrued Wages and Benefits	(24,420)	(18,152)	(42,572)	0
Decrease in Workers' Compensation Liability	0	0	0	(236,983)
Increase in Compensated Absences	15,632	13,123	28,755	0
Total Adjustments	525,760	1,610,722	2,136,482	(226,456)
Net Cash Provided by Operating Activities	\$960,598	\$453,542	\$1,414,140	\$35,653

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

As of December 31, 2007, the Water and the Sewer Funds received capital assets from various sources in the amounts of \$216,805 and \$985,055, respectively.

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

---

## Statement of Net Assets Fiduciary Funds December 31, 2007

---

	Private Purpose Trust	
	Unclaimed Monies Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 30,699	\$ 50,878
<b>Total Assets</b>	<u>30,699</u>	<u>50,878</u>
<b>Liabilities:</b>		
Intergovernmental Payable	0	29,868
Due to Others	0	21,010
<b>Total Liabilities</b>	<u>0</u>	<u>50,878</u>
Unrestricted	30,699	0
<b>Total Net Assets</b>	<u>\$ 30,699</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

---

**Statement of Changes in Net Assets  
Fiduciary Fund  
For the Year Ended December 31, 2007**

---

	Private Purpose Trust <u>Unclaimed Monies Fund</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 1,664
Total Additions	<u>1,664</u>
<b>Deductions:</b>	
Administrative Expenses	<u>566</u>
Total Deductions	<u>566</u>
Change in Net Assets	1,098
Net Assets at Beginning of Year	<u>29,601</u>
Net Assets End of Year	<u><u>\$ 30,699</u></u>

See accompanying notes to the basic financial statements

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

---

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

---

### **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, 2007 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***

---

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

---

### **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***

---

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

---

### **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***

---

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

---

### **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***

---

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

---

### **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, 2007, but which are not intended to finance 2007 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

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***

---

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

---

### **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 object level without the approval of 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 2007.

#### **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***

---

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

---

### **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.

This space intentionally left blank

# CITY OF OREGON, OHIO

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

### 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)	\$3,371,693	(\$131,854)	(\$43,063)
Increase (Decrease):			
Accrued Revenues at December 31, 2007 received during 2008	(2,683,353)	0	0
Accrued Revenues at December 31, 2006 received during 2007	2,332,655	0	0
Accrued Expenditures at December 31, 2007 paid during 2008	654,493	22,228	4,055
Accrued Expenditures at December 31, 2006 paid during 2007	(934,131)	(20,505)	(7,224)
2006 Prepaids for 2007	99,051	0	0
2007 Prepaids for 2008	(101,023)	0	0
Outstanding Encumbrances	(532,578)	0	(200)
Budget Basis	<u>\$2,206,807</u>	<u>(\$130,131)</u>	<u>(\$46,432)</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**

---

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

---

### **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 3, "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 3, "Cash, Cash Equivalents and Investments."

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

#### **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, 2007, 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***

---

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

---

### **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:

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

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

---

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

---

### **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**

---

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

---

### **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***

---

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

---

#### **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 2007.

# CITY OF OREGON, OHIO

---

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

---

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

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

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

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

Delinquent Income Tax Revenue	\$307,218
Delinquent Property Tax Revenue	191,091
Shared Revenues	1,574,811
Interest Revenues	340,479
Special Assessment Revenue	<u>16,630,310</u>
	\$19,043,909

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

Special Assessment Bonds Payable	(\$1,690,585)
General Obligation Bonds Payable	(1,254,251)
OPWC Loans Payable	(1,950,968)
OWDA Loans Payable	(9,499,027)
Promissory Note Payable	(162,228)
Accrued Pension Liability	(53,535)
Accrued Interest on Long-Term Debt	(4,046)
Compensated Absences Payable	<u>(2,042,808)</u>
	(\$16,657,448)

# CITY OF OREGON, OHIO

---

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

---

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

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

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

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

Capital Outlay	\$3,364,691
Depreciation Expense	<u>(1,959,397)</u>
	\$1,405,294

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$178,932
Decrease in Delinquent Property Tax	(204,831)
Increase in Shared Revenue	495,595
Increase in Interest Revenue	106,978
Increase in Special Assessment Revenue	<u>938,998</u>
	\$1,515,672

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

Increase in Compensated Absences Payable	(\$179,674)
Decrease in supplies inventory	<u>(68,397)</u>
	(\$248,071)

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

---

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

---

### **NOTE 3 - 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, 2007

### NOTE 3 - 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 \$22,930,789 and the bank balance was \$20,798,387. The Federal Deposit Insurance Corporation (FDIC) covered \$300,000 of the bank balance and \$20,498,387 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>\$20,498,387</u>
Total Balance	<u><u>\$20,498,387</u></u>

Investment earnings of \$884,152 earned by other funds were credited to the General Fund as required by local statute.

#### B. Investments

The City's investments at December 31, 2007 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	\$1,360,685	N/A	\$0	\$0	\$1,360,685
FNMA	2,511,560	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	2,511,560	0
FHLB	3,517,820	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	3,517,820	0
STAR Ohio	120,073	AAAm <sup>1</sup>	120,073	0	0
Total Investments	<u>\$7,510,138</u>		<u>\$120,073</u>	<u>\$6,029,380</u>	<u>\$1,360,685</u>

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

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

# CITY OF OREGON, OHIO

---

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

---

### NOTE 3 - 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 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 and FHLB securities in the amount of \$2,511,560 and \$3,517,870, 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, 18% are City of Oregon debt instruments, 33% are FNMA, 48% 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	\$2,468,392	\$27,972,532
Certificates of Deposit (with maturities of more than 3 months)	20,582,467	(20,582,467)
Investments:		
STAR Ohio	(120,073)	120,073
Per Footnote	<u>\$22,930,786</u>	<u>\$7,510,138</u>

### NOTE 4 - 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 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, 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***

---

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

---

### **NOTE 4 - 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, 2007 was \$3.50 per \$1,000 of assessed value. The assessed value upon which the 2007 tax receipts were based was \$670,573,948. This amount constitutes \$489,304,830 in real property assessed value, \$42,083,840 in public utility assessed value and \$139,185,278 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, 2007

---

### NOTE 5 - RECEIVABLES

Receivables at December 31, 2007 consisted of taxes, interest, interfund receivables, accounts receivable, special assessments and intergovernmental receivables.

### NOTE 6 - TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2007:

	Transfers In:				Total
	Special Assessment Bond Retirement Fund	Other Governmental Funds	Water Fund	Sewer Fund	
Transfers Out:					
General Fund	\$0	\$3,261,600	\$0	\$0	\$3,261,600
Special Assessment					
Street Light Fund	125,348	0	0	0	125,348
Other Governmental Funds	530,834	791,781	0	54,923	1,377,538
Sewer Fund	0	0	150,000	0	150,000
	<u>\$656,182</u>	<u>\$4,053,381</u>	<u>\$150,000</u>	<u>\$54,923</u>	<u>\$4,914,486</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.

Transfers of \$4,859,563 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, 2007

### NOTE 7 - CAPITAL ASSETS

#### A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2007:

*Historical Cost:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$6,255,214	\$410,447	(\$16,290)	\$6,649,371
Construction in Progress	646,131	1,451,302	(28,802)	2,068,631
Subtotal	6,901,345	1,861,749	(45,092)	8,718,002
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	7,490,450	99,047	(234,233)	7,355,264
Machinery and Equipment	3,737,742	194,492	(116,588)	3,815,646
Vehicles	6,132,250	328,473	(67,976)	6,392,747
Infrastructure	39,702,051	909,732	(92,334)	40,519,449
Subtotal	57,062,493	1,531,744	(511,131)	58,083,106
Total Cost	\$63,963,838	\$3,393,493	(\$556,223)	\$66,801,108

*Accumulated Depreciation:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings and Improvements	(\$5,324,965)	(\$282,446)	\$109,797	(\$5,497,614)
Machinery and Equipment	(2,788,716)	(244,531)	108,810	(2,924,437)
Vehicles	(4,821,114)	(427,130)	67,976	(5,180,268)
Infrastructure	(18,388,105)	(1,005,290)	84,255	(19,309,140)
Total Depreciation	(\$31,322,900)	(\$1,959,397) *	\$370,838	(\$32,911,459)
<i>Net Value:</i>	\$32,640,938			\$33,889,649

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

Security of Persons and Property	\$417,709
Public Health and Welfare Services	22,096
Leisure Time Activities	138,272
Community Environment	23,883
Transportation	1,216,180
General Government	141,257
Total Depreciation Expense	\$1,959,397

**CITY OF OREGON, OHIO**

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

**NOTE 7 - CAPITAL ASSETS (continued)**

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

Summary by Category at December 31, 2007:

*Historical Cost:*

Class	Restated December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$1,737,645	\$0	\$0	\$1,737,645
Construction in Progress	17,143,886	1,033,582	(74,625)	18,102,843
Subtotal	18,881,531	1,033,582	(74,625)	19,840,488
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	56,425,338	1,109,638	0	57,534,976
Machinery and Equipment	23,641,534	63,476	(27,481)	23,677,529
Vehicles	819,469	19,750	0	839,219
Subtotal	80,886,341	1,192,864	(27,481)	82,051,724
Total Cost	\$99,767,872	\$2,226,446	(\$102,106)	\$101,892,212

*Accumulated Depreciation:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings and Distributions	(\$30,630,006)	(\$1,548,450)	\$0	(\$32,178,456)
Machinery and Equipment	(13,491,006)	(705,433)	11,538	(14,184,901)
Vehicles	(699,465)	(41,636)	0	(741,101)
Total Depreciation	(\$44,820,477)	(\$2,295,519)	\$11,538	(\$47,104,458)
<i>Net Value:</i>	\$54,947,395			\$54,787,754

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

---

**NOTE 8 – 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 OPERS, Attention: Finance Director, 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 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% 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, 2007, 2006, and 2005 were \$1,089,979, \$1,045,425 and \$994,117, respectively, which were equal to the required contributions for each year.

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

---

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

---

### **NOTE 8 – 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 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$432,844.

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, 2006. 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 2006 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 5% for the next 8 years. In subsequent years (9 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 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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

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

---

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

---

### **NOTE 8 – 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, 2007, 2006, and 2005 were \$597,424, \$555,784 and \$538,997 for police and \$187,199, \$185,592 and \$167,519 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 2007 covered payroll that was used to fund postemployment health care benefits was \$206,801 representing 6.75% of covered payroll for police and \$52,650 representing 6.75% 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, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 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, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

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

---

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

---

#### **NOTE 9 - 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, 2007, the City's accumulated, unpaid compensated absences amounted to \$2,633,538, of which \$2,042,808 is recorded as a liability of the Governmental Activities and \$590,730 is recorded as a liability of the Business-Type Activities.

This space intentionally left blank.

# CITY OF OREGON, OHIO

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

### NOTE 10 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2007 was as follows:

	Restated Balance December 31, 2006	Issued	(Retired)	Balance December 31, 2007	Amount Due Within One Year
<b>Governmental Activities Long-Term Debt:</b>					
General Obligation Bonds:					
3.20% Court Administration Building	\$615,000	\$0	(\$195,000)	\$420,000	\$205,000
4.67% Land Acquisition	912,358	0	(78,107)	834,251	81,738
4.50% Cedar Point Development	0	575,000	0	575,000	4,620
Total General Obligation Bonds	1,527,358	575,000	(273,107)	1,829,251	291,358
Special Assessment Bonds Payable with Governmental Commitment:					
6.95% Wynnscape/Lallendorf	142,800	0	(24,900)	117,900	26,600
6.75% Lallendorf/Dustin	25,310	0	(9,870)	15,440	10,510
5.50% Pickle Road Sewer Construction	12,757	0	(1,133)	11,624	1,196
5.62% Coy Road Sanitary Sewer	53,251	0	(4,113)	49,138	4,344
5.25% York Street Waterline	228,000	0	(16,000)	212,000	17,000
5.00% Lallendorf Road Sanitary Sewer	12,058	0	(1,991)	10,067	1,478
5.00% Corduroy Road Waterline	64,749	0	(6,765)	57,984	7,108
5.00% Shore/Yarrow Waterline Ext.	32,965	0	(2,982)	29,983	3,133
5.50% Navarre Sanitary Sewer	104,160	0	(9,225)	94,935	9,739
5.50% Spartan Infrastructure	217,324	0	(19,247)	198,077	20,320
5.03% Lallendorf Sewer Phase 1	118,728	0	(9,426)	109,302	9,900
5.03% Lallendorf Sewer Phase 2	30,272	0	(2,403)	27,869	2,524
5.03% Lallendorf Sewer Phase 3	35,501	0	(2,819)	32,682	2,960
5.03% Stadium Road Waterline	119,589	0	(9,495)	110,094	9,972
5.03% Sugarbush Waterline	31,594	0	(2,508)	29,086	2,635
4.90% Seaman Road Sewer Phase 1	9,761	0	(358)	9,403	751
Total Special Assessment Bonds Payable with Governmental Commitment	1,238,819	0	(123,235)	1,115,584	130,170

(Continued)

# CITY OF OREGON, OHIO

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

### NOTE 10 - LONG-TERM DEBT (Continued)

	Restated Balance December 31, 2006	Issued	(Retired)	Balance December 31, 2007	Amount Due Within One Year
<b>Governmental Activities Long-Term Debt:</b>					
Promissory Note Payable:					
4.22%    Circuit 715 Lighting	178,956	0	(16,728)	162,228	17,441
Ohio Public Works Commission Loans:					
0.00%    Sanitary Sewer Reconstruction	7,849	0	(7,849)	0	0
0.00%    Lallendorf Road Storm Sewer Improvements	46,822	0	(46,822)	0	0
0.00%    Raw Water Intake Rehabilitation	76,385	0	(25,461)	50,924	25,461
0.00%    Zebra Mussel Control - Raw Water Intake	232,036	0	(15,470)	216,566	15,470
0.00%    Water Plant Renovations - Phase I	317,879	0	(19,867)	298,012	19,867
0.00%    Water Treatment Plant Improvements - Phase II	331,782	0	(20,108)	311,674	20,108
0.00%    Bayshore Bridge	16,670	0	(2,779)	13,891	2,779
0.00%    Water Treatment Plant Improvements - Phase III	425,000	0	(25,000)	400,000	25,000
0.00%    Water Treatment Plant Improvements - Phase IV	556,800	0	(34,900)	521,900	30,700
0.00%    Water Treatment Plant Improvements - Phase V	79,810	0	(4,201)	75,609	4,201
0.00%    South Shore Park Waterline - Phase II	0	63,992	(1,600)	62,392	3,200
Total Ohio Public Works Commission Loans	2,091,033	63,992	(204,057)	1,950,968	146,786
Ohio Water Development Authority Loans:					
2.00%    Oakdale Sanitary Sewer	18,810	0	(4,564)	14,246	4,655
7.36%    Norden/Cedar Point Waterline	12,087	0	(12,087)	0	0
8.35%    Brown Road Waterline	2,455	0	(1,616)	839	839
4.28%    Waterplant Renovation - Phase I & II	7,983,283	194,823	(398,634)	7,779,472	415,878
3.65%    Waterplant Renovation - Phase III	1,789,220	0	(84,749)	1,704,471	87,871
Total Ohio Water Development Authority Loans Payable	9,805,855	194,823	(501,650)	9,499,028	509,243
Compensated Absences	1,863,134	2,042,808	(1,863,134)	2,042,808	723,304
Police and Firemen's Pension Accrued Liability	54,550	0	(1,015)	53,535	1,058
Total Governmental Activities Long-Term Debt	\$16,759,705	\$2,876,623	(\$2,982,926)	\$16,653,402	\$1,819,360

# CITY OF OREGON, OHIO

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

### NOTE 10 - LONG-TERM DEBT (Continued)

	Balance December 31, 2006	Issued (Retired)	Issued (Retired)	Balance December 31, 2007	Issued (Retired)
<b>Business-Type Long-Term Debt:</b>					
General Obligation Bond:					
3.25% Sewer Improvement	\$2,280,000	\$0	(\$145,000)	\$2,135,000	\$155,000
Ohio Public Works Commission Loan:					
0.00% Eastwyck Sanitary Pump Station	188,557	0	(9,670)	178,887	9,670
Ohio Water Development Authority Loans:					
7.51% Baysore Sewer (1063)	1,050,716	0	(234,878)	815,838	252,517
8.35% Chlorination (0954)	126,893	0	(83,472)	43,421	43,421
2.20% North Oregon Sewer (SRFA)	269,544	0	(31,170)	238,374	31,859
4.80% North Oregon Sewer (SRFB)	259,395	0	(27,303)	232,092	28,629
3.80% Seaman Road Trunk Sewer - Phase I	1,268,179	0	(78,082)	1,190,097	65,796
3.95% Seaman Road Trunk Sewer - Phase II	2,015,239	5,071	(88,879)	1,931,431	92,424
3.50% Stadium Road Sewer	2,565,664	220,736	(129,442)	2,656,958	134,012
3.35% Pickle Road Sewer	2,318,778	8,157	(99,402)	2,227,533	102,759
3.25% Coy Road Sewer	0	202,785	(18,906)	183,879	19,526
Total Ohio Water Development Authority Loans	9,874,408	436,749	(791,534)	9,519,623	770,943
Compensated Absences	561,975	590,730	(561,975)	590,730	187,909
Total Business-Type Activities Long-Term Debt	\$12,904,940	\$1,027,479	(\$1,508,179)	\$12,424,240	\$1,123,522

This space intentionally left blank.

# CITY OF OREGON, OHIO

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

### NOTE 10 - LONG-TERM DEBT (Continued)

Long-term debt of the City at December 31, 2007 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	\$1,800,000	2016
4.67% Land Acquisition	2007	575,000	2038
Total General Obligation Bonds Payable		<u>4,175,000</u>	
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	11,762	2017
Total Special Assessment Bonds Payable with Governmental Commitment		<u>1,995,782</u>	
Promissory Note Payable:			
4.22% Circuit 715 Lighting	2005	195,000	2015
Ohio Public Works Commission Loans:			
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	476,004	2025
0.00% Water Treatment Plant Improvements - Phase IV	2005	84,010	2026
0.00% South Shore Park Waterline Replacement - Phase II	2007	63,992	2027
Total Ohio Public Works Commission Loans		<u>2,702,785</u>	
Ohio Water Development Authority Loans:			
2.00% Oakdale Sanitary Sewer	1993	74,064	2010
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	2,025,828	2024
Total Ohio Water Development Authority Loans Payable		<u>11,825,006</u>	

(Continued)

# **CITY OF OREGON, OHIO**

---

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

---

### **NOTE 10 - 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
3.25%	Coy Road Sewer	2007	202,785	2027
Total Ohio Water Development Authority Loans			<u>14,112,034</u>	
Total Business-Type Activities Long-Term Debt			<u>\$17,489,075</u>	

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

The principal amount of the City's special assessment debt outstanding at December 31, 2007 \$1,115,584, 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 \$6,251 in the Special Assessment Bond Retirement Fund at December 31, 2007 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$76,013.

#### **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 rate 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, 2007, 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 \$1,190,097 at December 31, 2007.

**CITY OF OREGON, OHIO**

---

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

---

**NOTE 10 - 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, 2007 was \$53,535 in principal and \$37,681 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, 2007, follows:

Years	<u>Governmental Activities</u> General Obligation Bonds		Special Assessment Bonds		Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$291,358	\$69,545	\$130,170	\$60,218	\$17,441	\$6,664
2009	310,135	69,506	127,371	52,743	18,185	5,920
2010	99,935	55,567	133,805	45,164	18,960	5,145
2011	104,687	50,817	140,396	37,571	19,769	4,336
2012	109,544	45,959	113,623	29,592	20,612	3,493
2013-2017	446,638	150,298	470,219	59,704	67,261	5,054
2018-2022	78,099	97,480	0	0	0	0
2023-2027	97,563	78,016	0	0	0	0
2028-2032	121,874	53,702	0	0	0	0
2033-2037	152,247	23,330	0	0	0	0
2038	17,171	386	0	0	0	0
Totals	<u>\$1,829,251</u>	<u>\$694,606</u>	<u>\$1,115,584</u>	<u>\$284,992</u>	<u>\$162,228</u>	<u>\$30,612</u>

This space intentionally left blank.

# CITY OF OREGON, OHIO

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

### NOTE 10 - 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
2008	\$509,243	\$440,986	\$146,786	\$0	\$1,058	\$2,264
2009	627,496	444,965	142,584	0	1,104	2,219
2010	653,946	418,517	142,584	0	1,151	2,171
2011	676,573	390,947	142,584	0	1,201	2,122
2012	705,211	362,310	142,584	0	1,252	2,070
2013-2017	2,870,240	1,337,575	577,281	0	7,116	9,496
2018-2022	3,344,967	347,320	573,114	0	8,781	7,832
2023-2027	111,352	9,556	83,451	0	10,835	5,776
2028-2035	0	0	0	0	21,037	3,731
Totals	<u>\$9,499,028</u>	<u>\$3,752,176</u>	<u>\$1,950,968</u>	<u>\$0</u>	<u>\$53,535</u>	<u>\$37,681</u>

#### Business-Type Activities

Years	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$155,000	\$98,386	\$770,943	\$399,741	\$9,670	\$0
2009	160,000	90,443	763,637	358,225	9,670	0
2010	170,000	83,643	801,778	320,081	9,670	0
2011	175,000	75,908	528,374	279,701	9,670	0
2012	180,000	67,945	547,489	260,583	9,670	0
2013-2017	1,055,000	206,600	2,767,565	944,674	48,350	0
2018-2022	240,000	11,100	2,929,822	439,652	48,350	0
2023-2026	0	0	410,015	218,243	33,837	0
Totals	<u>\$2,135,000</u>	<u>\$634,025</u>	<u>\$9,519,623</u>	<u>\$3,220,900</u>	<u>\$178,887</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 \$445,000 at December 31, 2007 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, 2007

### NOTE 11 - 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, 2007:

	Maturity Date	Balance December 31, 2006	Issued (Retired)	Balance December 31, 2007	
Capital Projects Notes Payable:					
5.02%	Wheeling Street Improvements	2007	\$450,000	(\$450,000)	\$0
4.13%	Wheeling Street Improvements	2008	0	450,000	450,000
Total Notes Payable			\$450,000	\$0	\$450,000

### NOTE 12 - CONSTRUCTION COMMITMENTS

As of December 31, 2007, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Wheeling Street Improvements	\$8,405,614	2008
Big Ditch (Stadium Road) Enclosure	3,884,630	2008
Heckman Ditch (Wynn Road) Relocation	2,259,989	2008
Coy/Pickle Intersection Improvements	495,469	2008
Coy/Starr Intersection Improvements	474,106	2008
Cedar Point Development Park - Phase 1	984,000	2008
Pearson Park Bikeway	500,000	2008
Elevated Water Tank/Main Line Improvement	5,213,673	2008
Total	\$22,217,481	

# **CITY OF OREGON, OHIO**

---

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

---

### **NOTE 13 - 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>
2006	\$0	\$30,818	(\$30,818)	\$0
2007	0	23,796	(23,796)	0

# **CITY OF OREGON, OHIO**

---

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

---

### **NOTE 13 - 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 2007 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>
2006	\$236,983	\$0	\$0	\$236,983
2007	236,983	0	(236,983)	0

### **NOTE 14 - 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.

**CITY OF OREGON**  
**Lucas County, Ohio**  
Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2007

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Housing and Urban Development</u>				
Passed Through Ohio Department of Development				
Community Development Block Grant				
Home Investment Partnership Program (CHIP)	A-C-04-161-1&2	14.239	\$ 146,586	\$ 156,745
Home Investment Partnership Program (CHIP)	A-C-07-161-1&2	14.239	-	8,825
<b>Total Community Development Block Grant</b>			<b>146,586</b>	<b>165,570</b>
Community Development Block Grant	A-F-05-161-1	14.228	28,509	-
Community Development Block Grant	A-F-06-161-1	14.228	10,988	59,361
Community Development Block Grant	A-F-07-161-1	14.228	-	7,440
<b>Total Community Development Block Grant</b>			<b>39,497</b>	<b>66,801</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>186,083</b>	<b>232,371</b>
<u>U.S. Department of Justice</u>				
Bulletproof Vest Grant	N/A	16.607	5,627	-
Bulletproof Vest Grant	N/A	16.607	-	9,187
<b>Total Bulletproof Vest Grant</b>			<b>5,627</b>	<b>9,187</b>
<b>Total U.S. Department of Justice</b>			<b>5,627</b>	<b>9,187</b>
<u>U.S. Department of Homeland Security</u>				
Assistance to Firefighters Grant	N/A	97.044	166,122	141,108
<b>Total Assistance to Firefighters Grant</b>			<b>166,122</b>	<b>141,108</b>
<b>Total U.S. Department of Homeland Security</b>			<b>166,122</b>	<b>141,108</b>
<u>U.S. Department of Transportation</u>				
Pass through Ohio Department of Transportation				
Highway Planning and Construction Grant-Municipal Connector	79955	20.205	264,183	264,183
Highway Planning and Construction Grant- Wheeling-Star Intersection	79959	20.205	300,000	300,000
<b>Total Highway Planning and Construction Grant</b>			<b>564,183</b>	<b>564,183</b>
<b>Total U.S. Department of Transportation</b>			<b>564,183</b>	<b>564,183</b>
<b>Total Federal Expenditures</b>			<b>\$ 922,015</b>	<b>\$ 946,849</b>

See accompanying Notes to the Schedule of Federal Awards Expenditures

***CITY OF OREGON***  
**LUCAS COUNTY, OHIO**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2007**

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain expenditures are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

**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, Ohio 43616

To the 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, 2007, which collectively comprise the City's financial statements and have issued our report thereon dated June 12, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Authority'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 2007-Oregon-001 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 the 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 the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated June 12, 2008.

This report is intended solely for the information and use of the management, the City Council, the audit committee, federal awarding agencies and pass-through entities 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 12, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the City Council:

Compliance

We have audited the compliance of the City of Oregon, Lucas County (City), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, the City Council, the audit committee, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

June 12, 2008

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**CITY OF OREGON  
LUCAS COUNTY  
December 31, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Highway Planning and Construction CFDA 20.205
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

**CITY OF OREGON  
LUCAS COUNTY, OHIO  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2007**

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

Finding Number: 2007-Oregon -001 – Material Weakness

During our audit, we noted that significant transfers were made between numerous funds. Per inquiry of the Finance Director, we noted that some of the transfers were for reimbursements of costs that could have been directly charged to the transferring fund. Although the City's approach is a practical method to return the funds, we recommend the City directly charge the costs to the relevant funds instead of transferring money in order to fulfill the accounting principle of direct costs. This will better reflect the operating activity of each fund.

**Management Response:**

The District will take this approach under advisement.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None.**

**CITY OF OREGON  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2006-001	Ohio Rev. Code Sections 5705.15, 16, 17 fund transfers being made without an ordinance being adopted	Yes	Finding No Longer Valid





**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  
AUGUST 28, 2008**