

CITY OF OREGON

LUCAS COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2008

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, 2008 through December 31, 2008. 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

September 4, 2009

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CITY OF OREGON
LUCAS COUNTY, OHIO
Audit Report
For the year ended December 31, 2008

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Charles E. Harris & Associates, Inc.
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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, 2008, 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.

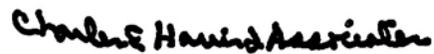
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, Lucas County, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General 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 July 22, 2009 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 as 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.

July 22, 2009

CITY OF OREGON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

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, 2008. 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 2008 are as follows:

- ❑ In total, net assets increased \$3,920,768. Net assets of governmental activities increased \$3,391,824, which represents a 6.1% increase from 2007. Net assets of business-type activities increased \$528,944, from 2007.
- ❑ General revenues accounted for \$24.5 million in revenue or 65% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 35% of total revenues of \$37,644,196.
- ❑ The City had \$25.1 million in expenses related to governmental activities; only \$5 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 \$22.6 million in revenues and \$16.2 million in expenditures. The general fund's fund balance increased \$3,513,786 to \$17,362,213.
- ❑ Net assets for enterprise funds increased by \$535,358.

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, 2008***

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, 2008

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 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$47,486,101	\$41,439,893	\$6,503,966	\$5,588,720	\$53,990,067	\$47,028,613
Capital assets, Net	35,374,353	33,889,649	53,817,767	54,787,754	89,192,120	88,677,403
Total assets	82,860,454	75,329,542	60,321,733	60,376,474	143,182,187	135,706,016
Long-term debt outstanding	15,683,831	16,653,402	11,789,332	12,424,240	27,473,163	29,077,642
Other liabilities	8,320,273	3,211,614	246,858	195,635	8,567,131	3,407,249
Total liabilities	24,004,104	19,865,016	12,036,190	12,619,875	36,040,294	32,484,891
Net assets						
Invested in capital assets, net of related debt	16,888,672	30,332,585	42,600,105	42,954,244	59,488,777	73,286,829
Restricted	19,735,515	16,551,563	0	0	19,735,515	16,551,563
Unrestricted	22,282,163	8,580,378	5,685,438	4,802,355	27,967,601	13,382,733
Total net assets	\$58,856,350	\$55,464,526	\$48,285,543	\$47,756,599	\$107,141,893	\$103,221,125

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CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2008

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services and Sales	\$3,138,082	\$3,762,240	\$8,104,775	\$7,908,572	\$11,242,857	\$11,665,812
Operating Grants and Contributions	1,088,375	1,700,169	0	0	1,088,375	1,700,169
Capital Grants and Contributions	773,918	1,652,633	7,189	1,201,860	781,107	2,854,493
General revenues:			0	0	0	
Property Taxes	1,842,428	1,636,769	0	0	1,842,428	1,636,769
Income Taxes	18,823,184	17,949,153	0	0	18,823,184	17,949,153
Shared Revenues	2,049,802	2,987,149	0	0	2,049,802	2,987,149
Investment Earnings	1,670,490	1,589,541	0	0	1,670,490	1,589,541
Miscellaneous	145,953	365,890	0	0	145,953	365,890
Total Revenues	<u>29,532,232</u>	<u>31,643,544</u>	<u>8,111,964</u>	<u>9,105,432</u>	<u>37,644,196</u>	<u>40,748,976</u>
Program Expenses						
Security of Persons and Property	10,566,440	10,266,136	0	0	10,566,440	10,266,136
Public Health and Welfare Services	516,043	426,974	0	0	516,043	426,974
Leisure Time Activities	951,118	990,836	0	0	951,118	990,836
Community Environment	1,513,838	1,504,683	0	0	1,513,838	1,504,683
Basic Utility Services	862,876	743,755	0	0	862,876	743,755
Transportation	4,365,197	3,702,488	0	0	4,365,197	3,702,488
General Government	5,675,109	4,807,480	0	0	5,675,109	4,807,480
Interest and Fiscal Charges	571,951	428,746	0	0	571,951	428,746
Water	0	0	4,267,251	4,028,277	4,267,251	4,028,277
Sewer	0	0	4,433,605	5,243,675	4,433,605	5,243,675
Total Expenses	<u>25,022,572</u>	<u>22,871,098</u>	<u>8,700,856</u>	<u>9,271,952</u>	<u>33,723,428</u>	<u>32,143,050</u>
Excess (Deficiency) Before Transfers	4,509,660	8,772,446	(588,892)	(166,520)	3,920,768	8,605,926
Transfers In/(Out)	<u>(1,117,836)</u>	<u>(54,923)</u>	<u>1,117,836</u>	<u>54,923</u>	<u>0</u>	<u>0</u>
Total Change in Net Assets	3,391,824	8,717,523	528,944	(111,597)	3,920,768	8,605,926
Beginning Net Assets - Restated	<u>55,464,526</u>	<u>56,114,013</u>	<u>47,756,599</u>	<u>47,868,196</u>	<u>103,221,125</u>	<u>103,982,209</u>
Ending Net Assets	<u>\$58,856,350</u>	<u>\$64,831,536</u>	<u>\$48,285,543</u>	<u>\$47,756,599</u>	<u>\$107,141,893</u>	<u>\$112,588,135</u>

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2008

Unaudited

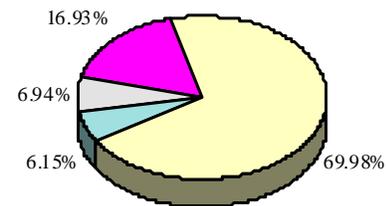
Governmental Activities

Net assets of the City's governmental activities increased by \$3,391,824. This was due primarily to increases in income and property tax 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 6.24% and 63.74% respectively of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 69.98% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
General Shared Revenues	\$2,049,802	6.94%
Program Revenues	5,000,375	16.93%
General Tax Revenues	20,665,612	69.98%
General Other	1,816,443	6.15%
Total Revenue	<u>\$29,532,232</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities increased by \$528,944. This increase was due to an increase in charges for services.

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2008

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$30,046,228, which is an increase from last year's balance of \$27,945,426. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2008 and 2007:

	Fund Balance <u>December 31, 2008</u>	Fund Balance <u>December 31, 2007</u>	Increase <u>(Decrease)</u>
General	\$17,362,213	\$13,848,427	\$3,513,786
Special Assessment Bond			
Retirement	40	6,251	(6,211)
Storm Sewer Construction	283,270	471,653	(188,383)
Street Construction	(678,947)	(205,521)	(473,426)
Other Governmental	13,079,652	13,824,616	(744,964)
Total	<u>\$30,046,228</u>	<u>\$27,945,426</u>	<u>\$2,100,802</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:

	2008 <u>Revenues</u>	2007 <u>Revenues</u>	Increase <u>(Decrease)</u>
Taxes	\$16,600,767	\$15,976,144	\$624,623
Intergovernmental Revenue	1,711,399	1,379,801	331,598
Charges for Services	1,572,271	1,480,058	92,213
Fines, Licenses and Permits	571,934	749,938	(178,004)
Investment Earnings	1,666,919	1,458,268	208,651
Special Assessments	5,776	5,114	662
All Other Revenue	494,670	214,453	280,217
Total	<u>\$22,623,736</u>	<u>\$21,263,776</u>	<u>\$1,359,960</u>

General Fund revenues in 2008 increased approximately 6.4% compared to revenues in fiscal year 2007. The most significant factor contributing to this increase was an increase in income taxes.

	2008 <u>Expenditures</u>	2007 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Security of Persons and Property	\$8,250,249	\$7,607,704	\$642,545
Public Health and Welfare Services	518,685	406,642	112,043
Leisure Time Activities	7,100	7,100	0
Community Environment	626,242	628,972	(2,730)
Transportation	3,292,649	2,455,494	837,155
General Government	3,504,367	3,530,088	(25,721)
Total	<u>\$16,199,292</u>	<u>\$14,636,000</u>	<u>\$1,563,292</u>

General Fund expenditures increased by \$1,563,292 or 10.7% compared to the prior year mostly due to an increase in the cost of salaries and benefits.

CITY OF OREGON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2008*

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 2008 the City amended its General Fund budget several times.

For the General Fund, final budget basis revenue of \$18.6 million did not significantly change over the original budget estimates of \$19.1 million. The General Fund had an adequate fund balance to cover expenditures.

CHANGE IN FUND BALANCES

The decrease in fund balance for the Storm Sewer Construction Fund can be attributed to an increase in construction activity during 2008.

The decrease in fund balance for the Street Construction Fund can be attributed to an increase in construction activity during 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the City had \$89,192,120 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$35,374,353 was related to governmental activities and \$53,817,767 to business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$7,024,286	\$6,649,371	\$374,915
Construction in Progress	2,566,591	2,068,631	497,960
Buildings and Improvements	7,689,224	7,355,264	333,960
Machinery and Equipment	4,224,335	3,815,646	408,689
Vehicles	7,346,444	6,392,747	953,697
Infrastructure	40,801,729	40,519,449	282,280
Less: Accumulated Depreciation	(34,278,256)	(32,911,459)	(1,366,797)
Totals	<u>\$35,374,353</u>	<u>\$33,889,649</u>	<u>\$1,484,704</u>
	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$1,737,645	\$1,737,645	\$0
Construction in Progress	19,149,798	18,102,843	1,046,955
Buildings and Distribution	57,731,859	57,534,976	196,883
Machinery and Equipment	23,737,920	23,677,529	60,391
Vehicles	842,397	839,219	3,178
Less: Accumulated Depreciation	(49,381,852)	(47,104,458)	(2,277,394)
Totals	<u>\$53,817,767</u>	<u>\$54,787,754</u>	<u>(\$969,987)</u>

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2008

Unaudited

The primary increases occurred in construction in progress and vehicles. This was due to the construction of the Cedar Point Development Park and the related sewer project on Corduroy Road as well as planning and expenses for the Big Ditch, Elevated Storage Tank and Brown Road Sanitary Projects.

As of December 31, 2008, the City has contractual commitments of \$20,598,121, as listed in Note 15, 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 9.

Debt

At December 31, 2008, the City had \$4.6 million in bonds outstanding, \$592,968 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	2008	2007
Governmental Activities:		
General Obligation Bonds	\$1,542,513	\$1,829,251
Special Assessment Bonds	1,079,414	1,115,584
Promissory Note	144,787	162,228
OWDA Loans Payable	8,989,785	9,499,028
OPWC Loans Payable	1,804,182	1,950,968
Pension Liability	52,477	53,535
Workers Compensation Liability	50,313	0
Compensated Absences	2,020,360	2,042,808
Total Governmental Activities	<u>15,683,831</u>	<u>16,653,402</u>
Business-Type Activities:		
General Obligation Bonds	\$1,980,000	\$2,135,000
OWDA Loans Payable	9,068,445	9,519,623
OPWC Loans Payable	169,217	178,887
Compensated Absences	571,670	590,730
Total Business-Type Activities	<u>11,789,332</u>	<u>12,424,240</u>
Totals	<u>\$27,473,163</u>	<u>\$29,077,642</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, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

CITY OF OREGON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

ECONOMIC FACTORS

The City's original budget for 2008 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 2007. This was due to uncertainty in the amount of actual municipal income taxes to be collected because of uncertain economic conditions.

General Fund expenditures were originally budgeted at 1% more than 2008 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.

CITY OF OREGON, OHIO

Statement of Net Assets December 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 8,312,582	\$ 1,018,277	\$ 9,330,859
Investments	24,866,522	3,880,054	28,746,576
Receivables:			
Taxes	5,252,686	0	5,252,686
Accounts	278,034	1,065,664	1,343,698
Intergovernmental	1,010,155	0	1,010,155
Interest	376,479	0	376,479
Special Assessments	6,650,247	0	6,650,247
Loans	200,886	0	200,886
Internal Balances	(88,626)	88,626	0
Inventory of Supplies at Cost	521,317	375,290	896,607
Prepaid Items	105,819	76,055	181,874
Capital Assets:			
Capital Assets Not Being Depreciated	6,979,171	20,887,443	27,866,614
Capital Assets Being Depreciated, Net	<u>28,395,182</u>	<u>32,930,324</u>	<u>61,325,506</u>
Total Assets	<u>82,860,454</u>	<u>60,321,733</u>	<u>143,182,187</u>
Liabilities:			
Accounts Payable	688,516	93,913	782,429
Accrued Wages and Benefits	858,370	147,582	1,005,952
Intergovernmental Payable	63,737	0	63,737
Unearned Revenue	1,693,352	0	1,693,352
Accrued Interest Payable	41,298	5,363	46,661
General Obligation Notes Payable	4,975,000	0	4,975,000
Noncurrent liabilities:			
Due within one year	1,864,848	1,123,287	2,988,135
Due in more than one year	<u>13,818,983</u>	<u>10,666,045</u>	<u>24,485,028</u>
Total Liabilities	<u>24,004,104</u>	<u>12,036,190</u>	<u>36,040,294</u>

CITY OF OREGON, OHIO

	Governmental Activities	Business-Type Activities	Total
Net Assets:			
Invested in Capital Assets, Net of Related Debt	16,838,672	42,600,105	59,438,777
Restricted For:			
Capital Projects	6,538,312	0	6,538,312
Debt Service	5,196,471	0	5,196,471
Street Construction, Maintenance and Repair	821,436	0	821,436
Court Special Projects	261,613	0	261,613
Housing Assistance	162,799	0	162,799
Solid Waste	872,466	0	872,466
Storm Sewer Project	2,634,483	0	2,634,483
Street Lighting	861,601	0	861,601
Hazardous Waste Landfill	53,614	0	53,614
Perpetual Care:			
Nonexpendable	86,563	0	86,563
Other Purposes	2,246,157	0	2,246,157
Unrestricted	22,282,163	5,685,438	27,967,601
Total Net Assets	\$ 58,856,350	\$ 48,285,543	\$ 107,141,893

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Activities For the Year Ended December 31, 2008

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 10,566,440	\$ 651,371	\$ 177,116	\$ 354,853
Public Health and Welfare Services	516,043	57,206	0	0
Leisure Time Activities	951,118	205,362	0	0
Community Environment	1,513,838	248,374	0	0
Basic Utility Services	862,876	0	0	138,533
Transportation	4,365,197	44,862	911,259	218,279
General Government	5,675,109	1,930,907	0	62,253
Interest and Fiscal Charges	571,951	0	0	0
Total Governmental Activities	25,022,572	3,138,082	1,088,375	773,918
Business-Type Activities:				
Water	4,267,251	4,432,855	0	0
Sewer	4,433,605	3,671,920	0	7,189
Total Business-Type Activities	8,700,856	8,104,775	0	7,189
Totals	\$ 33,723,428	\$ 11,242,857	\$ 1,088,375	\$ 781,107

General Revenues

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

Change in Net Assets

Net Assets Beginning of Year, as Restated - See Note 2

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
\$ (9,383,100)	\$ 0	\$ (9,383,100)
(458,837)	0	(458,837)
(745,756)	0	(745,756)
(1,265,464)	0	(1,265,464)
(724,343)	0	(724,343)
(3,190,797)	0	(3,190,797)
(3,681,949)	0	(3,681,949)
(571,951)	0	(571,951)
<u>(20,022,197)</u>	<u>0</u>	<u>(20,022,197)</u>
0	165,604	165,604
<u>0</u>	<u>(754,496)</u>	<u>(754,496)</u>
<u>0</u>	<u>(588,892)</u>	<u>(588,892)</u>
<u>(20,022,197)</u>	<u>(588,892)</u>	<u>(20,611,089)</u>
1,842,428	0	1,842,428
18,823,184	0	18,823,184
2,049,802	0	2,049,802
1,670,490	0	1,670,490
145,953	0	145,953
<u>(1,117,836)</u>	<u>1,117,836</u>	<u>0</u>
<u>23,414,021</u>	<u>1,117,836</u>	<u>24,531,857</u>
3,391,824	528,944	3,920,768
<u>55,464,526</u>	<u>47,756,599</u>	<u>103,221,125</u>
<u>\$ 58,856,350</u>	<u>\$ 48,285,543</u>	<u>\$ 107,141,893</u>

CITY OF OREGON, OHIO

Balance Sheet Governmental Funds December 31, 2008

	General	Special Assessment Bond Retirement	Storm Sewer Construction	Street Construction
Assets:				
Cash and Cash Equivalents	\$ 3,044,328	\$ 40	\$ 593,532	\$ 318,848
Investments	11,648,622	0	2,261,601	1,214,944
Receivables:				
Taxes	4,029,529	0	0	0
Accounts	240,341	0	0	0
Intergovernmental	296,604	0	0	0
Interest	375,268	0	0	0
Special Assessments	54,216	5,197,407	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	521,317	0	0	0
Prepaid Items	105,819	0	0	0
Total Assets	\$ 20,316,044	\$ 5,197,447	\$ 2,855,133	\$ 1,533,792
Liabilities:				
Accounts Payable	\$ 86,560	\$ 0	\$ 52,592	\$ 222,515
Accrued Wages and Benefits Payable	607,753	0	0	0
Intergovernmental Payable	63,737	0	0	0
Deferred Revenue	2,195,781	5,197,407	0	0
Accrued Interest Payable	0	0	19,271	15,224
General Obligation Notes Payable	0	0	2,500,000	1,975,000
Total Liabilities	2,953,831	5,197,407	2,571,863	2,212,739
Fund Balances:				
Reserved for Encumbrances	318,562	0	34,182	349,859
Reserved for Prepaid Items	105,819	0	0	0
Reserved for Supplies Inventory	521,317	0	0	0
Reserved for Endowments	0	0	0	0
Undesignated/Unreserved in:				
General Fund	16,416,515	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Funds	0	40	0	0
Capital Projects Funds	0	0	249,088	(1,028,806)
Total Fund Balances	17,362,213	40	283,270	(678,947)
Total Liabilities and Funds Balances	\$ 20,316,044	\$ 5,197,447	\$ 2,855,133	\$ 1,533,792

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 4,151,719	\$ 8,108,467
9,228,502	24,353,669
1,223,157	5,252,686
37,693	278,034
713,551	1,010,155
1,211	376,479
1,398,624	6,650,247
200,886	200,886
0	521,317
0	105,819
<u>\$ 16,955,343</u>	<u>\$ 46,857,759</u>
\$ 326,849	\$ 688,516
250,617	858,370
0	63,737
2,794,371	10,187,559
3,854	38,349
500,000	4,975,000
<u>3,875,691</u>	<u>16,811,531</u>
603,283	1,305,886
0	105,819
0	521,317
86,563	86,563
0	16,416,515
5,645,061	5,645,061
1,973	2,013
6,742,772	5,963,054
<u>13,079,652</u>	<u>30,046,228</u>
<u>\$ 16,955,343</u>	<u>\$ 46,857,759</u>

CITY OF OREGON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2008

Total Governmental Fund Balances	\$ 30,046,228
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	35,374,353
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	8,494,207
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.	578,029
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(15,636,467)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 58,856,350</u></u>

See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2008

	General	Special Assessment Bond Retirement	Storm Sewer Construction	Street Construction
Revenues:				
Property Taxes	\$ 1,116,228	\$ 0	\$ 0	\$ 0
Municipal Income Taxes	15,484,539	0	0	0
Intergovernmental Revenues	1,711,399	0	0	223,675
Charges for Services	1,572,271	0	0	0
Licenses, Permits and Fees	215,028	0	0	0
Investment Earnings	1,666,919	0	0	0
Special Assessments	5,776	239,184	0	0
Fines and Forfeitures	356,906	0	0	0
All Other Revenue	494,670	0	18,125	14,319
Total Revenue	22,623,736	239,184	18,125	237,994
Expenditures:				
Current:				
Security of Persons and Property	8,250,249	0	0	0
Public Health and Welfare Services	518,685	0	0	0
Leisure Time Activities	7,100	0	0	0
Community Environment	626,242	0	0	0
Basic Utility Services	0	0	0	0
Transportation	3,292,649	0	0	0
General Government	3,504,367	0	0	0
Capital Outlay	0	0	187,237	858,031
Debt Service:				
Principal Retirement	0	639,360	0	0
Interest & Fiscal Charges	0	456,672	19,271	28,389
Total Expenditures	16,199,292	1,096,032	206,508	886,420
Excess (Deficiency) of Revenues Over Expenditures	6,424,444	(856,848)	(188,383)	(648,426)
Other Financing Sources (Uses):				
Sale of Capital Assets	43,238	0	0	0
Special Assessment Bonds Issued	0	0	0	0
Transfers In	0	850,637	0	175,000
Transfers Out	(3,200,527)	0	0	0
Total Other Financing Sources (Uses)	(3,157,289)	850,637	0	175,000
Net Change in Fund Balances	3,267,155	(6,211)	(188,383)	(473,426)
Fund Balances at Beginning of Year	13,848,427	6,251	471,653	(205,521)
Increase in Inventory Reserve	246,631	0	0	0
Fund Balances End of Year	\$ 17,362,213	\$ 40	\$ 283,270	\$ (678,947)

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 686,306	\$ 1,802,534
3,222,571	18,707,110
2,153,607	4,088,681
420,429	1,992,700
0	215,028
29,046	1,695,965
505,805	750,765
159,378	516,284
301,930	829,044
<u>7,479,072</u>	<u>30,598,111</u>
2,226,394	10,476,643
4,131	522,816
901,799	908,899
857,930	1,484,172
862,876	862,876
953,695	4,246,344
2,089,394	5,593,761
1,032,712	2,077,980
450,963	1,090,323
68,716	573,048
<u>9,448,610</u>	<u>27,836,862</u>
(1,969,538)	2,761,249
73,575	116,813
93,945	93,945
3,841,947	4,867,584
(2,784,893)	(5,985,420)
<u>1,224,574</u>	<u>(907,078)</u>
(744,964)	1,854,171
13,824,616	27,945,426
0	246,631
<u>\$ 13,079,652</u>	<u>\$ 30,046,228</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, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 1,854,171
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
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.	1,514,935
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.	(30,232)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,182,691)
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.	997,436
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,097
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.	269,079
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.	(31,971)
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 3,391,824</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) General Fund For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 975,150	\$ 975,150	\$ 1,116,228	\$ 141,078
Municipal Income Taxes	11,577,500	10,999,132	15,521,623	4,522,491
Intergovernmental Revenue	2,223,500	2,223,500	1,742,664	(480,836)
Charges for Services	1,483,647	1,483,647	1,570,193	86,546
Licenses, Permits and Fees	225,000	225,000	214,692	(10,308)
Investment Earnings	1,000,000	1,000,000	1,549,417	549,417
Special Assessments	7,350	7,350	5,776	(1,574)
Fines and Forfeitures	302,300	302,300	356,170	53,870
All Other Revenues	62,500	62,500	335,686	273,186
Total Revenues	<u>17,856,947</u>	<u>17,278,579</u>	<u>22,412,449</u>	<u>5,133,870</u>
Expenditures:				
Current:				
Security of Persons and Property	8,189,668	8,427,126	8,331,835	95,291
Public Health and Welfare Services	371,035	551,766	522,934	28,832
Leisure Time Activities	0	7,100	7,100	0
Community Environment	618,045	710,769	623,598	87,171
Transportation	2,834,864	3,546,735	3,414,342	132,393
General Government	3,915,788	4,078,726	3,573,259	505,467
Total Expenditures	<u>15,929,400</u>	<u>17,322,222</u>	<u>16,473,068</u>	<u>849,154</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,927,547	(43,643)	5,939,381	5,983,024
Other Financing Sources (Uses):				
Sale of Capital Assets	2,000	2,000	43,238	41,238
Transfers In	1,331,378	1,331,378	831,378	(500,000)
Transfers Out	(5,182,247)	(4,032,579)	(4,031,905)	674
Total Other Financing Sources (Uses):	<u>(3,848,869)</u>	<u>(2,699,201)</u>	<u>(3,157,289)</u>	<u>(458,088)</u>
Net Change In Fund Balance	(1,921,322)	(2,742,844)	2,782,092	5,524,936
Fund Balance at Beginning of Year	10,911,280	10,911,280	10,911,280	0
Prior Year Encumbrances	532,578	532,578	532,578	0
Fund Balance at End of Year	<u>\$ 9,522,536</u>	<u>\$ 8,701,014</u>	<u>\$ 14,225,950</u>	<u>\$ 5,524,936</u>

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Net Assets Proprietary Funds December 31, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 560,752	\$ 457,525	\$ 1,018,277	\$ 204,115
Investments	2,136,697	1,743,357	3,880,054	512,853
Accounts receivable (net of allow for uncollectibles)	568,685	496,979	1,065,664	0
Inventory of Supplies at Cost	367,782	7,508	375,290	0
Prepaid Items	37,780	38,275	76,055	0
Total current assets	<u>3,671,696</u>	<u>2,743,644</u>	<u>6,415,340</u>	<u>716,968</u>
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	28,260,237	55,789,584	84,049,821	0
Construction in Progress	1,322,983	17,826,815	19,149,798	0
Less accumulated depreciation	<u>(18,819,691)</u>	<u>(30,562,161)</u>	<u>(49,381,852)</u>	<u>0</u>
Total capital assets (net of accumulated depr)	<u>10,763,529</u>	<u>43,054,238</u>	<u>53,817,767</u>	<u>0</u>
Total noncurrent assets	<u>10,763,529</u>	<u>43,054,238</u>	<u>53,817,767</u>	<u>0</u>
Total assets	<u>14,435,225</u>	<u>45,797,882</u>	<u>60,233,107</u>	<u>716,968</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	47,259	46,654	93,913	0
Accrued Wages and Benefits	80,883	66,699	147,582	0
Workers Compensation Liability	0	0	0	50,313
Accrued Interest Payable	0	5,363	5,363	0
General Obligation Bonds Payable - Current	0	160,000	160,000	0
OWDA Loans Payable - Current	0	763,636	763,636	0
OPWC Loans Payable - Current	0	9,670	9,670	0
Total Current Liabilities	<u>128,142</u>	<u>1,052,022</u>	<u>1,180,164</u>	<u>50,313</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable	0	1,820,000	1,820,000	0
OWDA Loans Payable	0	8,304,809	8,304,809	0
OPWC Loans Payable	0	159,547	159,547	0
Compensated Absences Payable	331,049	240,621	571,670	0
Total noncurrent liabilities	<u>331,049</u>	<u>10,524,977</u>	<u>10,856,026</u>	<u>0</u>
Total Liabilities	<u>459,191</u>	<u>11,576,999</u>	<u>12,036,190</u>	<u>50,313</u>

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	10,763,529	31,836,576	42,600,105	0
Unrestricted	3,212,505	2,384,307	5,596,812	666,655
Total Net Assets	<u>\$ 13,976,034</u>	<u>\$ 34,220,883</u>	<u>48,196,917</u>	<u>\$ 666,655</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			88,626	
Net Assets of Business-type Activities			<u>\$ 48,285,543</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, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 4,389,636	\$ 3,589,946	\$ 7,979,582	\$ 66,359
Other Charges for Services	32,606	0	32,606	0
Other Operating Revenues	9,362	81,974	91,336	16,867
Total Operating Revenues	<u>4,431,604</u>	<u>3,671,920</u>	<u>8,103,524</u>	<u>83,226</u>
Operating Expenses:				
Personal Services	1,835,863	1,306,889	3,142,752	121,611
Contractual Services	1,025,542	396,237	1,421,779	0
Materials and Supplies	443,480	97,516	540,996	0
Utilities	353,643	436,678	790,321	0
Depreciation	606,627	1,700,796	2,307,423	0
Total Operating Expenses	<u>4,265,155</u>	<u>3,938,116</u>	<u>8,203,271</u>	<u>121,611</u>
Operating Income (Loss)	166,449	(266,196)	(99,747)	(38,385)
Non-Operating Revenue (Expenses):				
Interest and Fiscal Charges	0	(491,171)	(491,171)	0
Sale of Capital Assets	1,251	0	1,251	0
Total Non-Operating Revenues (Expenses)	<u>1,251</u>	<u>(491,171)</u>	<u>(489,920)</u>	<u>0</u>
Income (Loss) Before Contributions and Transfers	167,700	(757,367)	(589,667)	(38,385)
Capital Contributions	0	7,189	7,189	0
Transfers In	235,107	1,117,836	1,352,943	0
Transfers Out	0	(235,107)	(235,107)	0
Change in Net Assets	402,807	132,551	535,358	(38,385)
Net Assets Beginning of Year	13,573,227	34,088,332	47,661,559	705,040
Net Assets End of Year	<u>\$ 13,976,034</u>	<u>\$ 34,220,883</u>	<u>48,196,917</u>	<u>\$ 666,655</u>
Change in Net Assets - Total Enterprise Funds			535,358	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(6,414)	
Change in Net Assets - Business-type Activities			<u>\$ 528,944</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, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Totals	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$4,477,431	\$3,642,133	\$8,119,564	\$83,226
Cash Payments for Goods and Services	(1,941,160)	(924,325)	(2,865,485)	0
Cash Payments to Employees	(1,827,431)	(1,301,604)	(3,129,035)	(75,498)
Net Cash Provided by Operating Activities	708,840	1,416,204	2,125,044	7,728
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	235,107	1,117,836	1,352,943	0
Transfers Out to Other Funds	0	(235,107)	(235,107)	0
Net Cash Provided by Noncapital Financing Activities	235,107	882,729	1,117,836	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Intergovernmental Grants	0	7,189	7,189	0
Acquisition and Construction of Assets	(507,554)	(812,972)	(1,320,526)	0
Principal Paid on General Obligation Bonds	0	(155,000)	(155,000)	0
Proceeds from Ohio Water Development Authority Loans	0	319,763	319,763	0
Principal Paid on Ohio Water Development Authority Loans	0	(770,941)	(770,941)	0
Principal Paid on Ohio Public Works Commission Loan	0	(9,670)	(9,670)	0
Interest Paid on All Debt	0	(491,590)	(491,590)	0
Net Cash Used for Capital and Related Financing Activities	(507,554)	(1,913,221)	(2,420,775)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	102,273	54,083	156,356	129,377
Net Cash Provided by Investing Activities	102,273	54,083	156,356	129,377
Net Increase in Cash and Cash Equivalents	538,666	439,795	978,461	137,105
Cash and Cash Equivalents at Beginning of Year	22,086	17,730	39,816	67,010
Cash and Cash Equivalents at End of Year	\$560,752	\$457,525	\$1,018,277	\$204,115
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$166,449	(\$266,196)	(\$99,747)	(\$38,385)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Miscellaneous Nonoperating Income	1,251	0	1,251	0
Depreciation Expense	606,627	1,700,796	2,307,423	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	45,827	(29,787)	16,040	0
Decrease (Increase) in Inventory	(125,133)	8,576	(116,557)	0
Decrease in Prepaid Items	349	613	962	0
Increase (Decrease) in Accounts Payable	5,038	(3,083)	1,955	(4,200)
Increase in Accrued Wages and Benefits	13,408	19,369	32,777	0
Increase in Workers' Compensation Liability	0	0	0	50,313
Decrease in Compensated Absences	(4,976)	(14,084)	(19,060)	0
Total Adjustments	542,391	1,682,400	2,224,791	46,113
Net Cash Provided by Operating Activities	\$708,840	\$1,416,204	\$2,125,044	\$7,728

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2008, the Sewer Fund had an outstanding liability of \$16,910 for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Assets and Liabilities Fiduciary Funds December 31, 2008

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 80,929
Total Assets	<u>\$ 80,929</u>
Liabilities:	
Intergovernmental Payable	31,204
Due to Others	49,725
Total Liabilities	<u>\$ 80,929</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, 2008

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, 2008 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, 2008

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 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.

Storm Sewer Construction Fund - This fund is used to account for revenues and expenditures designated for the construction and acquisition of capital storm sewer projects.

Street Construction Fund - This fund is used to account for revenues and expenditures designated for the improvement of City streets.

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, 2008

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 has no trust funds. 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 five 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 five funds are the Unclaimed Monies Fund, which is used to account for unclaimed monies, 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. The City reclassified its trust fund from the prior year to an agency fund to be more accurate.

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, 2008

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, 2008

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, 2008, but which are not intended to finance 2008 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

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, 2008

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 2008.

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, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

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:

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$3,267,155
Increase (Decrease):	
Accrued Revenues at December 31, 2008 received during 2009	(2,860,149)
Accrued Revenues at December 31, 2007 received during 2008	2,683,353
Accrued Expenditures at December 31, 2008 paid during 2009	758,050
Accrued Expenditures at December 31, 2007 paid during 2008	(654,493)
2007 Prepays for 2008	101,023
2008 Prepays for 2009	(105,819)
Outstanding Encumbrances	(407,028)
Budget Basis	<u><u>\$2,782,092</u></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, 2008

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 5, "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 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2008. 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, 2008.

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, 2008, 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, 2008

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, 2008

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
Workers Compensation Liability	Workers Compensation 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, 2008

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 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, 2008

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 2008.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2007, it was determined that there was an error in the reporting of special assessments receivable in the governmental activities. The adjustment had the following effect on the governmental activities beginning net assets:

	<u>Governmental Activities</u>
Net Assets December 31, 2007 as reported	\$64,831,536
Adjustments:	
Correction of Special Assessments Receivable	<u>(9,367,010)</u>
Net Assets December 31, 2007 as restated	<u>\$55,464,526</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficit at December 31, 2008 of \$678,947 in the Street Construction Fund (capital projects fund) arose from the recording of general obligation notes payable within the individual fund. Deficits do not exist under the budgetary/cash basis of accounting. The general fund provides transfers when cash is required, not when accruals occur.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 4 – 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	\$423,292
Delinquent Property Tax Revenue	230,985
Shared Revenues	624,307
Interest Revenues	315,004
Special Assessment Revenue	6,900,619
	<hr/>
	\$8,494,207

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$1,079,414)
General Obligation Bonds Payable	(1,542,513)
OPWC Loans Payable	(1,804,182)
OWDA Loans Payable	(8,989,785)
Promissory Note Payable	(144,787)
Accrued Pension Liability	(52,477)
Accrued Interest on Long-Term Debt	(2,949)
Compensated Absences Payable	(2,020,360)
	<hr/>
	(\$15,636,467)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 4 – 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	\$3,476,353
Depreciation Expense	(1,961,418)
	<u>\$1,514,935</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$116,074
Increase in Delinquent Property Tax	39,894
Decrease in Shared Revenue	(950,503)
Decrease in Interest Revenue	(25,475)
Decrease in Special Assessment Revenue	(362,681)
	<u>(\$1,182,691)</u>

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$22,448
Increase in supplies inventory	246,631
	<u>\$269,079</u>

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 5 - 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, 2008

NOTE 5 - 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 \$27,226,540 and the bank balance was \$19,727,860. The Federal Deposit Insurance Corporation (FDIC) covered \$750,000 of the bank balance and \$18,977,860 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>\$18,977,860</u>
Total Balance	<u><u>\$18,977,860</u></u>

Investment earnings of \$1,002,534 earned by other funds were credited to the General Fund as required by local statute.

B. Investments

The City's investments at December 31, 2008 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
City of Oregon Bonds Payable	\$1,368,115	N/A	\$0	\$0	\$1,368,115
FFCB	800,000	AAA ¹ /Aaa ²	0	800,000	0
FHLB	2,027,500	AAA ¹ /Aaa ²	0	2,027,500	0
FHLMC	1,524,340	AAA ¹ /Aaa ²	0	1,524,340	0
FNMA	3,526,621	AAA ¹ /Aaa ²	0	3,526,621	0
STAR Ohio	1,685,248	AAA ^{m1}	1,685,248	0	0
Total Investments	<u>\$10,931,824</u>		<u>\$1,685,248</u>	<u>\$7,878,461</u>	<u>\$1,368,115</u>

¹ Standard & Poor's

² Moody's Investor Service

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 5 - 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 FFCB, FHLB, FHLMC and FNMA securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk – The City's investments in FFCB, FHLB, FHLMC and FNMA securities in the amounts of \$800,000, \$2,027,500, \$1,524,340 and \$3,526,621, 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, 13% are City of Oregon debt instruments, 7% are FFCB, 19% are FHLB, 14% are FHLMC, 32% are FNMA and 15% 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	\$9,411,788	\$28,746,576
Certificates of Deposit (with maturities of more than 3 months)	19,500,000	(19,500,000)
Investments:		
STAR Ohio	(1,685,248)	1,685,248
Per Footnote	<u>\$27,226,540</u>	<u>\$10,931,824</u>

NOTE 6 - 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 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, 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 2006 and the equalization adjustment was completed in 2009. 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, 2008

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of January 1, 2007. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. The assessment percentage for property, including inventory is 12.5% for 2007. This percentage will be reduced to 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2008 was \$3.50 per \$1,000 of assessed value. The assessed value upon which the 2008 tax receipts were based was \$616,521,238. This amount constitutes \$481,563,030 in real property assessed value, \$45,667,120 in public utility assessed value and \$89,291,088 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.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 6 - TAXES (Continued)

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.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, interest, loans, accounts receivable, special assessments and intergovernmental receivables.

NOTE 8 - TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2008:

	<u>Transfers In:</u>					Total
	Special Assessment Bond Retirement Fund	Street Construction Fund	Other Governmental Funds	Water Fund	Sewer Fund	
<u>Transfers Out:</u>						
General Fund	\$0	\$175,000	\$3,025,527	\$0	\$0	\$3,200,527
Other Governmental Funds	850,637	0	816,420	0	1,117,836	2,784,893
Sewer Fund	0	0	0	235,107	0	235,107
	<u>\$850,637</u>	<u>\$175,000</u>	<u>\$3,841,947</u>	<u>\$235,107</u>	<u>\$1,117,836</u>	<u>\$6,220,527</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 \$5,102,691 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, 2008

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$4,412,580	\$0	\$0	\$4,412,580
Construction in Progress	2,068,631	761,315	(263,355)	2,566,591
Subtotal	6,481,211	761,315	(263,355)	6,979,171
<i>Capital assets being depreciated:</i>				
Land Improvements	2,236,791	374,915	0	2,611,706
Buildings and Improvements	7,355,264	333,960	0	7,689,224
Machinery and Equipment	3,815,646	467,876	(59,187)	4,224,335
Vehicles	6,392,747	1,407,678	(453,981)	7,346,444
Infrastructure	40,519,449	393,964	(111,684)	40,801,729
Subtotal	60,319,897	2,978,393	(624,852)	62,673,438
Total Cost	\$66,801,108	\$3,739,708	(\$888,207)	\$69,652,609

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Land Improvements	(\$1,078,361)	(\$104,272)	\$0	(\$1,182,633)
Buildings and Improvements	(\$5,497,614)	(\$182,775)	\$0	(\$5,680,389)
Machinery and Equipment	(2,924,437)	(234,487)	56,125	(3,102,799)
Vehicles	(5,180,268)	(444,688)	427,743	(5,197,213)
Infrastructure	(18,230,779)	(995,196)	110,753	(19,115,222)
Total Depreciation	(\$32,911,459)	(\$1,961,418) *	\$594,621	(\$34,278,256)
<i>Net Value:</i>	\$33,889,649			\$35,374,353

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$401,714
Public Health and Welfare Services	20,686
Leisure Time Activities	143,987
Community Environment	23,410
Transportation	1,228,758
General Government	142,863
Total Depreciation Expense	\$1,961,418

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 9 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$1,737,645	\$0	\$0	\$1,737,645
Construction in Progress	18,102,843	1,057,652	(10,697)	19,149,798
Subtotal	19,840,488	1,057,652	(10,697)	20,887,443
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	57,534,976	196,883	0	57,731,859
Machinery and Equipment	23,677,529	66,322	(5,931)	23,737,920
Vehicles	839,219	27,276	(24,098)	842,397
Subtotal	82,051,724	290,481	(30,029)	82,312,176
Total Cost	\$101,892,212	\$1,348,133	(\$40,726)	\$103,199,619

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings and Distributions	(\$32,178,456)	(\$1,637,007)	\$0	(\$33,815,463)
Machinery and Equipment	(14,184,901)	(643,560)	5,931	(14,822,530)
Vehicles	(741,101)	(26,856)	24,098	(743,859)
Total Depreciation	(\$47,104,458)	(\$2,307,423)	\$30,029	(\$49,381,852)
<i>Net Value:</i>	\$54,787,754			\$53,817,767

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10 – 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 (“OPERS”)

The following information was provided by OPERS 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 OPERS: 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.

OPERS 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 OPERS. 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 ORC provides statutory authority for employee and employer contributions. For 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City’s required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$1,130,364, \$1,089,979 and \$1,045,425, 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, 2008

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. 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. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$615,388, \$597,424 and \$555,784 for police and \$200,779, \$187,199 and \$185,592 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. 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.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$565,182, \$432,844 and \$343,388, respectively, which were equal to the required contributions for each year.

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.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2008, 2007, and 2006 were \$213,019, \$206,801 and \$220,889 for police and \$56,469, \$52,650 and \$59,931 for firefighters, 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, 2008

NOTE 12 - 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, 2008, the City's accumulated, unpaid compensated absences amounted to \$2,592,030, of which \$2,020,360 is recorded as a liability of the Governmental Activities and \$571,670 is recorded as a liability of the Business-Type Activities.

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 13 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2008 was as follows:

	Balance December 31, 2007	Issued	(Retired)	Balance December 31, 2008	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
General Obligation Bonds:					
3.20% Court Administration Building	\$420,000	\$0	(\$205,000)	\$215,000	\$215,000
4.67% Land Acquisition	834,251	0	(81,738)	752,513	85,581
4.50% Cedar Point Development	575,000	0	0	575,000	0
Total General Obligation Bonds	1,829,251	0	(286,738)	1,542,513	300,581
Special Assessment Bonds Payable					
with Governmental Commitment:					
6.95% Wynscape/Lallendorf	117,900	0	(26,600)	91,300	28,400
6.75% Lallendorf/Dustin	15,440	0	(10,510)	4,930	850
5.50% Pickle Road Sewer Construction	11,624	0	(1,196)	10,428	1,262
5.62% Coy Road Sanitary Sewer	49,138	0	(4,344)	44,794	4,589
5.25% York Street Water Line	212,000	0	(17,000)	195,000	18,000
5.00% Lallendorf Road Sanitary Sewer	10,067	0	(1,478)	8,589	1,553
5.00% Corduroy Road Waterline	57,984	0	(7,108)	50,876	7,468
5.00% Shore/Yarrow Waterline Ext.	29,983	0	(3,133)	26,850	3,291
5.50% Navarre Sanitary Sewer	94,935	0	(9,739)	85,196	10,282
5.50% Spartan Infrastructure	198,077	0	(20,320)	177,757	21,453
5.03% Lallendorf Sewer Phase 1	109,302	0	(9,900)	99,402	10,398
5.03% Lallendorf Sewer Phase 2	27,869	0	(2,524)	25,345	2,651
5.03% Lallendorf Sewer Phase 3	32,682	0	(2,960)	29,722	3,109
5.03% Stadium Road Waterline	110,094	0	(9,972)	100,122	10,474
5.03% Sugarbush Waterline	29,086	0	(2,580)	26,506	2,767
4.90% Seaman Road Sewer Phase 1	9,403	0	(751)	8,652	788
5.00% Wynn Road Sanitary Sewer	0	12,450	0	12,450	994
4.00% Brown Road West Of Lallendorf	0	81,495	0	81,495	4,058
Total Special Assessment Bonds Payable with Governmental Commitment	1,115,584	93,945	(130,115)	1,079,414	132,387

(Continued)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 13 - LONG-TERM DEBT (Continued)

	Balance December 31, 2007	Issued	(Retired)	Balance December 31, 2008	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
Promissory Note Payable:					
4.22% Circuit 715 Lighting	162,228	0	(17,441)	144,787	18,185
Ohio Public Works Commission Loans:					
0.00% Raw Water Intake Rehabilitation	50,924	0	(25,461)	25,463	25,463
0.00% Zebra Mussel Control - Raw Water Intake	216,566	0	(15,470)	201,096	15,470
0.00% Water Plant Renovations - Phase I	298,012	0	(19,867)	278,145	19,867
0.00% Water Treatment Plant Improvements - Phase II	311,674	0	(20,108)	291,566	20,108
0.00% Bayshore Bridge	13,891	0	(2,779)	11,112	2,779
0.00% Water Treatment Plant Improvements - Phase III	400,000	0	(25,000)	375,000	25,000
0.00% Water Treatment Plant Improvements - Phase IV	521,900	0	(30,700)	491,200	30,700
0.00% Water Treatment Plant Improvements - Phase V	75,609	0	(4,201)	71,408	4,201
0.00% South Shore Park Waterline - Phase II	62,392	0	(3,200)	59,192	3,200
Total Ohio Public Works Commission Loans	1,950,968	0	(146,786)	1,804,182	146,788
Ohio Water Development Authority Loans:					
2.00% Oakdale Sanitary Sewer	14,246	0	(4,655)	9,591	4,748
8.35% Brown Road Waterline	839	0	(839)	0	0
4.28% Waterplant Renovation - Phase I & II	7,779,472	0	(415,878)	7,363,594	433,868
3.65% Waterplant Renovation - Phase III	1,704,471	0	(87,871)	1,616,600	91,108
Total Ohio Water Development Authority Loans Payable	9,499,028	0	(509,243)	8,989,785	529,724
Compensated Absences	2,042,808	1,673,863	(1,096,311)	2,020,360	736,079
Workers Compensation Liability	0	50,313	0	50,313	0
Police and Firemen's Pension Accrued Liability	53,535	0	(1,058)	52,477	1,104
Total Governmental Activities Long-Term Debt	\$16,653,402	\$1,818,121	(\$2,787,692)	\$15,683,831	\$1,864,848

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 13 - LONG-TERM DEBT (Continued)

	Balance December 31, 2007	Issued	(Retired)	Balance December 31, 2008	Amount Due Within One Year
Business-Type Long-Term Debt:					
General Obligation Bond:					
3.25% Sewer Improvement	\$2,135,000	\$0	(\$155,000)	\$1,980,000	\$160,000
Ohio Public Works Commission Loan:					
0.00% Eastwyck Sanitary Pump Station	178,887	0	(9,670)	169,217	9,670
Ohio Water Development Authority Loans:					
7.51% Bayshore Sewer (1063)	815,838	0	(252,515)	563,323	271,481
8.35% Chlorination (0954)	43,421	0	(43,421)	0	0
2.20% North Oregon Sewer (SRFA)	238,374	0	(31,859)	206,515	32,564
4.80% North Oregon Sewer (SRFB)	232,092	0	(28,629)	203,463	30,020
3.80% Seaman Road Trunk Sewer - Phase I	1,190,097	0	(65,796)	1,124,301	68,320
3.95% Seaman Road Trunk Sewer - Phase II	1,931,431	0	(92,424)	1,839,007	96,111
3.50% Stadium Road Sewer	2,656,958	0	(134,012)	2,522,946	138,743
3.35% Pickle Road Sewer	2,227,533	0	(102,759)	2,124,774	106,231
3.25% Coy Road Sewer	183,879	319,763	(19,526)	484,116	20,166
Total Ohio Water Development Authority Loans	9,519,623	319,763	(770,941)	9,068,445	763,636
Compensated Absences	590,730	471,472	(490,532)	571,670	189,981
Total Business-Type Activities Long-Term Debt	\$12,424,240	\$791,235	(\$1,426,143)	\$11,789,332	\$1,123,287

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 13 - LONG-TERM DEBT (Continued)

Long-term debt of the City at December 31, 2008 was as follows:

	Date of Issue	Original Issue	Final Maturity Date
Governmental Activities Long-Term Debt:			
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	<u>575,000</u>	2038
Total General Obligation Bonds Payable		4,175,000	
Special Assessment Bonds Payable with Governmental Commitment:			
6.95% Wynnscape/Lallendorf	1993	360,900	2011
6.75% Lallendorf/Dustin	1993	108,770	2013
5.50% Pickle Road Sewer Construction	1995	21,928	2015
5.62% Coy Road Sanitary Sewer	1996	84,085	2016
5.25% York Street Waterline	1997	332,000	2017
5.00% Lallendorf Road Sanitary Sewer	1998	20,542	2013
5.00% Corduroy Road Waterline	1998	103,807	2014
5.00% Shore/Yarrow Waterline Ext.	2001	48,068	2015
5.50% Navarre Sanitary Sewer	2000	150,133	2015
5.50% Spartan Infrastructure	2000	313,240	2015
5.03% Lallendorf Sewer Phase 1	2001	155,817	2016
5.03% Lallendorf Sewer Phase 2	2001	39,727	2016
5.03% Lallendorf Sewer Phase 3	2001	46,591	2016
5.03% Stadium Road Waterline	2001	156,948	2016
5.03% Sugarbush Waterline	2001	41,464	2016
5.03% Seaman Road Sewer Phase 1	2003	11,762	2017
5.00% Wynn Road Sanitary Sewer	2008	12,450	2018
4.00% Brown Road West of Lallendorf	2008	<u>81,495</u>	2023
Total Special Assessment Bonds Payable with Governmental Commitment		2,089,727	
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	<u>63,992</u>	2027
Total Ohio Public Works Commission Loans		2,702,785	
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	<u>2,025,828</u>	2024
Total Ohio Water Development Authority Loans Payable		11,825,006	
Police and Firemen's Pension Accrued Liability	1968	<u>66,448</u>	2035
Total Governmental Activities Long-Term Debt		<u>\$21,053,966</u>	

(Continued)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 13 - 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, 2008 of \$1,079,414, 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 \$40 in the Special Assessment Bond Retirement Fund at December 31, 2008 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$87,697.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 13 - LONG-TERM DEBT (Continued)

B. 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, 2008 was \$52,477 in principal and \$35,417 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt.

C. 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, 2008, follows:

Years	<u>Governmental Activities</u> General Obligation Bonds		Special Assessment Bonds		Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$300,581	\$43,945	\$132,387	\$56,578	\$18,185	\$5,920
2010	99,501	56,003	139,072	48,785	18,960	5,145
2011	104,232	51,270	145,885	40,968	19,769	4,336
2012	109,069	46,435	119,346	32,755	20,612	3,493
2013	114,333	41,170	125,583	26,487	21,491	2,614
2014-2018	343,224	133,324	384,459	46,715	45,770	2,440
2019-2023	78,099	97,480	32,682	3,702	0	0
2024-2028	97,563	78,016	0	0	0	0
2029-2033	121,874	53,702	0	0	0	0
2034-2038	135,452	22,566	0	0	0	0
2039	38,585	1,150	0	0	0	0
Totals	<u>\$1,542,513</u>	<u>\$625,061</u>	<u>\$1,079,414</u>	<u>\$255,990</u>	<u>\$144,787</u>	<u>\$23,948</u>

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 13 - 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
2009	\$529,724	\$374,978	\$146,788	\$0	\$1,104	\$2,219
2010	551,944	352,759	121,323	0	1,151	2,171
2011	570,160	329,603	121,323	0	1,201	2,122
2012	594,195	305,568	121,323	0	1,252	2,070
2013	619,246	280,517	118,544	0	1,306	2,016
2014-2018	3,510,698	988,216	600,983	0	7,422	9,191
2019-2023	2,613,818	230,754	531,861	0	9,158	7,455
2024-2028	0	0	42,037	0	11,300	5,310
2029-2035	0	0	0	0	18,583	2,863
Totals	<u>\$8,989,785</u>	<u>\$2,862,395</u>	<u>\$1,804,182</u>	<u>\$0</u>	<u>\$52,477</u>	<u>\$35,417</u>

Business-Type Activities

Years	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$160,000	\$90,443	\$763,636	\$355,351	\$9,670	\$0
2010	170,000	83,643	801,777	318,594	9,670	0
2011	175,000	75,908	528,372	282,981	9,670	0
2012	180,000	67,945	547,490	260,583	9,670	0
2013	185,000	59,755	567,314	240,758	9,670	0
2014-2018	1,110,000	157,945	2,835,424	899,503	48,350	0
2019-2023	0	0	2,989,991	363,870	48,350	0
2024-2026	0	0	34,441	16,778	24,167	0
Totals	<u>\$1,980,000</u>	<u>\$535,639</u>	<u>\$9,068,445</u>	<u>\$2,738,418</u>	<u>\$169,217</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 \$230,000 at December 31, 2008 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, 2008

NOTE 14 - 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, 2008:

	Maturity Date	Balance December 31, 2007	Issued (Retired)	Balance December 31, 2008
Capital Projects Notes Payable:				
4.13% Wheeling Street Improvements	2008	\$450,000	(\$450,000)	\$0
2.50% Wheeling Street Improvements	2009	0	1,650,000	1,650,000
2.50% Coy/Pickle Intersection	2009	0	325,000	325,000
2.50% Big Ditch	2009	0	2,500,000	2,500,000
2.89% Aerial Pumper	2009	0	500,000	500,000
Total Capital Projects Notes Payable		<u>\$450,000</u>	<u>\$4,525,000</u>	<u>\$4,975,000</u>

NOTE 15 - CONSTRUCTION COMMITMENTS

As of December 31, 2008, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Coy/Pickle Intersection Improvements	\$319,091	June 2009
Coy/Starr Intersection Improvements	711,906	May 2010
Big Ditch (Stadium Road) Enclosure	3,597,973	June 2010
Pearson Park Bikeway	285,000	June 2010
Elevated Water Tank/Main Line Improvement	5,321,000	October 2010
Heckman Ditch (Wynn Road) Relocation	2,259,989	December 2010
Wheeling Street Improvements	8,103,162	June 2011
Total	<u>\$20,598,121</u>	

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 16 - 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 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. Self Insurance Fund

The City established an internal service fund, the Self Insurance 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 three 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
2008	0	28,330	(28,330)	0

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 16 - INSURANCE AND RISK MANAGEMENT (Continued)

B. Workers' Compensation Internal Service Fund

As of December 31, 2008, the City completed its first year of participating with the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Program. 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 \$200,000 per claim with a billable ceiling of 200% of the premium for 2008. Changes in the Workers' Compensation Internal Service Fund's claims liability amount in fiscal 2008 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>
2008	\$0	\$50,313	\$0	\$50,313

NOTE 17 - 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, 2008

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
U.S. Housing and Urban Development				
Passed Through Ohio Department of Development				
Community Development Block Grant				
Home Investment Partnership Program (CHIP)	A-C-07-161-1&2	14.239	\$ 48,830	\$ 145,053
Total Community Development Block Grant			<u>48,830</u>	<u>145,053</u>
Community Development Block Grant	A-F-06-161-1	14.228	56,012	-
Community Development Block Grant	A-F-07-161-1	14.228	48,222	57,561
Community Development Block Grant	A-F-08-161-1	14.228	-	6,887
Total Community Development Block Grant			<u>104,234</u>	<u>64,448</u>
Total U.S. Department of Housing and Urban Development			153,064	209,501
U.S. Department of Justice				
Direct Programs				
Bulletproof Vest Partnership Program	N/A	16.607	277	-
Bulletproof Vest Partnership Program	N/A	16.607	5,673	2,792
Bulletproof Vest Partnership Program	N/A	16.607	-	2,094
Total Bulletproof Vest Partnership Program			<u>5,950</u>	<u>4,886</u>
Justice Assistance Grant	N/A	16.738	16,278	16,278
Total Justice Assistant Grant			<u>16,278</u>	<u>16,278</u>
Total U.S. Department of Justice			22,228	21,164
U.S. Department of Homeland Security				
Direct Programs				
Assistance to Firefighters Grant	N/A	97.044	54,850	54,847
Assistance to Firefighters Grant	N/A	97.044	33,967	33,966
Total Assistance to Firefighters Grant			<u>88,817</u>	<u>88,813</u>
Passed Through Ohio Emergency Management Agency				
Buffer Zone Protection Program	N/A	97.078	78,769	82,593
Total Buffer Zone Protection Program			<u>78,769</u>	<u>82,593</u>
Total U.S. Department of Homeland Security			167,586	171,406
U.S. Department of Transportation				
Pass through Ohio Department of Transportation				
Highway Planning and Construction Grant	79955	20.205	121,784	121,784
Highway Planning and Construction Grant	79959	20.205	-	14,937
Highway Planning and Construction Grant	79959	20.205	223,675	279,594
Total Highway Planning and Construction Grant			<u>345,459</u>	<u>416,315</u>
Total U.S. Department of Transportation			345,459	416,315
Total Federal Expenditures			<u>\$ 688,337</u>	<u>\$ 818,386</u>

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, 2008

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.

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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, 2008, which collectively comprise the City's financial statements and have issued our report thereon dated July 22, 2009. 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 2008-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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are disclosed in the accompanying schedule of findings as items 2008-Oregon-002 to 004.

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

We noted certain matters that we reported to management in a separate letter dated July 22, 2009.

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.

July 22, 2009

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 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, 2008. 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 or the year ended December 31, 2008.

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 program. 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.

July 22, 2009

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

**CITY OF OREGON
LUCAS COUNTY
December 31, 2008**

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>	Yes
(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, 2008**

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

Finding Number: 2008-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 City will take this approach under advisement.

Finding Number: 2008-Oregon-002 – Material Noncompliance

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

	Estimated Receipts	Actual Receipts	Variance
Special Revenue Funds:			
Housing Assistance Fund	\$302,100	\$73,123	(\$228,977)
Local Law Enforcement Fund	\$22,000	\$18,278	(\$3,722)
Cedar Point Development Park Fund	\$135,000	\$30,621	(\$104,379)
Debt Service Fund:			
Special Assessment Bond Retirement Fund	\$795,987	\$681,939	(\$114,048)
Capital Projects Funds:			
Street Construction Fund	\$2,498,850	\$2,387,994	(\$110,856)
Water Projects Funds	\$227,465	\$0	(\$227,465)

We recommend that the City adjust their estimated resources to reflect the actual anticipated revenue.

Management Response:

The City will strive to monitor its budgetary variances more closely in the future.

**CITY OF OREGON
LUCAS COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2008**

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

Finding Number: 2008-Oregon-003 – Material Noncompliance

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the City obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2008, the following funds' appropriations exceeded total estimated resources:

Fund	Amount
<u>Special Revenue</u>	
FEMA Fund	\$ (81,219)
 <u>Debt Service</u>	
Spec. Assessment Bond Retirement	(10,220)

At July 31, 2008, the following fund's appropriations exceeded total estimated resources:

<u>Capital Projects</u>	
Street Construction	(417,794)
Water Projects	(358,433)
 <u>Internal Service</u>	
Flex Benefits	(9,681)

Also, the City did not obtain the county auditor's certificate regarding appropriations not exceeding estimated resources as required by this section.

Management Response:

The City did obtain a county auditor's certificate for its permanent appropriation ordinance. No certificates were sent by the county auditor for subsequent amendments. The City will follow up more closely in the future on these certificates.

**CITY OF OREGON
LUCAS COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2008**

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

Finding Number: 2008-Oregon-004 – Material Noncompliance

Ohio Rev. Code Section 5705.10 provides that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special revenue fund for such purpose. A negative fund balance implies monies from other funds were used to pay liabilities of those funds.

During 2008, the City had negative fund balances in the following funds:

January:

EMS Operating Fund (\$39,458)

SA Bond Fund (\$51,662)

SA Sewer Main Fund (\$11,003)

February:

EMS Operating Fund (\$133,545)

FEMA Fund (\$18,843)

SA Bond Fund (\$55,759)

SA Sewer Main Fund (\$26,167)

March:

EMS Operating Fund (\$234,047)

May:

Local Law Enforcement Fund (\$3,064)

FEMA Fund (\$4,700)

SA Sewer Main Fund (\$606)

June:

Police Levy Fund (\$65,692)

Local Law Enforcement Fund (\$5,824)

SA Bond Fund (\$19,408)

SA Sewer Main Fund (\$19,042)

July:

Police Levy Fund (\$49,252)

Local Law Enforcement Fund (\$7,319)

SA Bond Fund (\$108,071)

SA Sewer Main Fund (\$38,417)

August:

Police Levy Fund (\$22,700)

Fire Pumper Fund (145,835)

September:

Police Grant Fund (\$4,101)

EMS Operating Fund (\$53,350)

Local Law Enforcement Fund (\$11,000)

October:

Police Grant Fund (\$56,039)

Local Law Enforcement Fund (\$1,809)

FEMA Fund (\$5,644)

SA Sewer Main Fund (\$13,861)

November:

Police Grant Fund (\$56,039)

EMS Operating Fund (\$36,317)

FEMA Fund (\$5,643)

**CITY OF OREGON
LUCAS COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2008**

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

Finding Number: 2008-Oregon-004 – Material Noncompliance – (continued)

We recommend that the City evaluate cash balances continuously and maintain positive fund balances in all funds during and at the end of the fiscal year.

Management Response:

The Special Assessment Bond Retirement Fund, Special Assessment Sewer Main fund and the Policy Levy Fund derives most of their revenue from assessment collections which are received twice a year from the county auditor as part of the tax settlements. The EMS Operating fund receives revenue on a quarterly basis and maintained a positive balance after the first quarter. The FEMA Fund and the Local Law Enforcement Fund receive reimbursements from grants. The City will continue to evaluate all funds throughout the year.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF OREGON
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2007-Oregon - 001	Transfers being made for reimbursement of costs that could have been charged directly to funds	No	Repeated as Finding 2008-Oregon-001



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
SEPTEMBER 17, 2009**