

**CITY OF OREGON
LUCAS COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

James G. Zupka, CPA, Inc.
Certified Public Accountants

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LUCAS COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Oregon, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon, Lucas County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon, Ohio, as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows and budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oregon, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for 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.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015, on our consideration of the City of Oregon, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oregon, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 8, 2015

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CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2014

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, 2014. 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 2014 are as follows:

- ❑ In total, net position increased \$16,238,846. Net position of governmental activities increased \$15,888,940, which represents a 14.9% increase from 2013. Net position of business-type activities increased \$349,906 from 2013.
- ❑ General revenues accounted for \$36.5 million in revenue or 67.6% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for the remaining 32.4% of total revenues of \$54,033,380.
- ❑ The City had \$25.3 million in expenses related to governmental activities; only \$8.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$36.5 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$31.6 million in revenues and \$17.3 million in expenditures. The general fund's fund balance increased \$7,037,972 to \$53,460,072.
- ❑ Net position for enterprise funds increased by \$346,976.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis*, the *basic financial statements*. 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.

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 position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 position and how they have changed. Net-position (the difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is 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, basic utility services, 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 Position 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, 2014

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 Position.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2014 and 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$78,804,163	\$67,398,190	\$18,561,275	\$17,882,711	\$97,365,438	\$85,280,901
Capital assets, Net	57,132,343	52,289,788	43,049,260	38,509,707	100,181,603	90,799,495
Total assets	135,936,506	119,687,978	61,610,535	56,392,418	197,547,041	176,080,396
Deferred Charge on Debt Refunding	0	0	28,580	35,725	28,580	35,725
Long-term debt outstanding	10,789,867	10,825,715	25,657,510	21,541,971	36,447,377	32,367,686
Other liabilities	1,889,502	1,461,648	1,116,085	370,558	3,005,587	1,832,206
Total liabilities	12,679,369	12,287,363	26,773,595	21,912,529	39,452,964	34,199,892
Property Tax Levy for Next Fiscal Year	976,626	1,009,044	0	0	976,626	1,009,044
Net position						
Net Investment in Capital Assets	49,429,082	44,488,539	18,195,987	17,716,745	67,625,069	62,205,284
Restricted	18,406,327	15,620,437	0	0	18,406,327	15,620,437
Unrestricted	54,445,102	46,282,595	16,669,533	16,798,869	71,114,635	63,081,464
Total net position	\$122,280,511	\$106,391,571	\$34,865,520	\$34,515,614	\$157,146,031	\$140,907,185

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CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2014

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2014 and 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services and Sales	\$3,097,421	\$2,560,696	\$9,045,524	\$8,660,877	\$12,142,945	\$11,221,573
Operating Grants and Contributions	1,669,930	1,435,569	0	0	1,669,930	1,435,569
Capital Grants and Contributions	3,346,780	1,792,990	393,460	469,119	3,740,240	2,262,109
General Revenues:						
Property Taxes	1,503,435	1,348,152	0	0	1,503,435	1,348,152
Income Taxes	31,836,862	27,281,148	0	0	31,836,862	27,281,148
Shared Revenues	1,198,680	1,515,498	0	0	1,198,680	1,515,498
Investment Earnings	1,045,152	7,027	24,196	24,671	1,069,348	31,698
Miscellaneous	871,940	385,267	0	0	871,940	385,267
Total Revenues	<u>44,570,200</u>	<u>36,326,347</u>	<u>9,463,180</u>	<u>9,154,667</u>	<u>54,033,380</u>	<u>45,481,014</u>
Program Expenses						
Security of Persons and Property	10,507,031	9,927,920	0	0	10,507,031	9,927,920
Public Health and Welfare Services	407,376	449,120	0	0	407,376	449,120
Leisure Time Activities	988,455	1,256,681	0	0	988,455	1,256,681
Community Environment	956,567	1,058,257	0	0	956,567	1,058,257
Basic Utility Services	1,260,184	723,393	0	0	1,260,184	723,393
Transportation	4,807,685	3,931,907	0	0	4,807,685	3,931,907
General Government	6,151,004	5,840,654	0	0	6,151,004	5,840,654
Interest and Fiscal Charges	216,153	352,544	0	0	216,153	352,544
Water	0	0	6,311,522	5,418,987	6,311,522	5,418,987
Sewer	0	0	6,188,557	6,743,480	6,188,557	6,743,480
Total Expenses	<u>25,294,455</u>	<u>23,540,476</u>	<u>12,500,079</u>	<u>12,162,467</u>	<u>37,794,534</u>	<u>35,702,943</u>
Excess (Deficiency) Before Transfers	19,275,745	12,785,871	(3,036,899)	(3,007,800)	16,238,846	9,778,071
Transfers In (Out)	(3,386,805)	(2,290,242)	3,386,805	2,290,242	0	0
Total Change in Net Position	<u>15,888,940</u>	<u>10,495,629</u>	<u>349,906</u>	<u>(717,558)</u>	<u>16,238,846</u>	<u>9,778,071</u>
Beginning Net Position	<u>106,391,571</u>	<u>95,895,942</u>	<u>34,515,614</u>	<u>35,233,172</u>	<u>140,907,185</u>	<u>131,129,114</u>
Ending Net Position	<u>\$122,280,511</u>	<u>\$106,391,571</u>	<u>\$34,865,520</u>	<u>\$34,515,614</u>	<u>\$157,146,031</u>	<u>\$140,907,185</u>

Governmental Activities

Net position of the City's governmental activities increased by \$15,888,940. This was due primarily to strong income tax collections.

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.

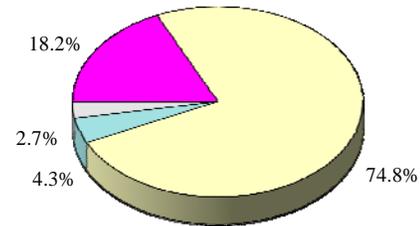
Property taxes and income taxes made up 3.4% and 71.4% respectively of revenues for governmental activities for the City in fiscal year 2014. The City's reliance upon tax revenues is demonstrated by the following graph indicating 74.8% of total revenues from general tax revenues:

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2014

Unaudited

Revenue Sources	2014	Percent of Total
General Shared Revenues	\$1,198,680	2.7%
Program Revenues	8,114,131	18.2%
General Tax Revenues	33,340,297	74.8%
General Other	1,917,092	4.3%
Total Revenue	\$44,570,200	100.00%



Business-Type Activities

Net position of the business-type activities increased by \$349,906. This increase was due in large part to increases in charges for services during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$70,204,141, which is an increase from last year's balance of \$58,921,543. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2014 and 2013:

	Fund Balance December 31, 2014	Fund Balance December 31, 2013	Increase (Decrease)
General	\$53,460,072	\$46,422,100	\$7,037,972
Special Assessment Bond			
Retirement	307,919	225,297	82,622
Street Construction	2,728,982	541,332	2,187,650
Other Governmental	13,707,168	11,732,814	1,974,354
Total	\$70,204,141	\$58,921,543	\$11,282,598

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:

	2014 Revenues	2013 Revenues	Increase (Decrease)
Taxes	\$26,978,687	\$23,317,387	\$3,661,300
Intergovernmental Revenue	666,521	910,054	(243,533)
Charges for Services	1,950,060	1,774,131	175,929
Fines, Licenses and Permits	590,125	511,047	79,078
Investment Earnings	1,020,962	41,991	978,971
Special Assessments	8,005	8,819	(814)
All Other Revenue	363,615	120,290	243,325
Total	\$31,577,975	\$26,683,719	\$4,894,256

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2014

Unaudited

General Fund revenues in 2014 increased approximately 18.3% compared to revenues in fiscal year 2013. The most significant factor contributing to this increase was an increase in income tax revenue and investment earnings.

	2014	2013	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$9,383,099	\$7,948,224	\$1,434,875
Public Health and Welfare Services	427,165	401,235	25,930
Leisure Time Activities	10,500	7,100	3,400
Community Environment	674,550	557,847	116,703
Transportation	2,883,954	2,473,214	410,740
General Government	3,959,335	3,716,149	243,186
Debt Service:			
Principal Retirement	29,703	28,636	1,067
Interest and Fiscal Charges	2,992	6,940	(3,948)
Total	<u>\$17,371,298</u>	<u>\$15,139,345</u>	<u>\$2,231,953</u>

General Fund expenditures increased by \$2,231,953 or 14.7% compared to the prior year mostly due to the increase in expenditures for security of persons and property.

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 2014 the City amended its General Fund budget several times.

For the General Fund, final budget basis revenue of \$19.5 million changed slightly from the original budget estimates of \$19.6 million. The General Fund had an adequate fund balance to cover expenditures.

CHANGE IN FUND BALANCES

The increase in fund balance for the Special Assessment Bond Retirement Fund can be attributed to the decrease in principal and interest and fiscal charges paid in 2014.

The increase in fund balance for the Street Construction fund was largely related to the transfers in from the General Fund for street construction projects.

CITY OF OREGON, OHIO

Management's Discussion and Analysis
For the Year Ended December 31, 2014

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2014 the City had \$100,181,603 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment, vehicles and construction in progress. Of this total, \$57,132,343 was related to governmental activities and \$43,049,260 to business-type activities. The following table shows fiscal year 2014 and 2013 balances:

	Governmental Activities		Increase (Decrease)
	2014	2013	
Land and Land Improvements	\$8,096,076	\$7,937,359	\$158,717
Construction in Progress	8,998,792	10,078,867	(1,080,075)
Buildings and Improvements	8,371,248	7,856,342	514,906
Machinery and Equipment	4,068,576	3,828,546	240,030
Vehicles	7,524,477	6,717,367	807,110
Infrastructure	62,375,314	56,066,737	6,308,577
Less: Accumulated Depreciation	(42,302,140)	(40,195,430)	(2,106,710)
Totals	\$57,132,343	\$52,289,788	\$4,842,555

	Business-Type Activities		Increase (Decrease)
	2014	2013	
Land	\$756,016	\$756,016	\$0
Construction in Progress	7,244,225	516,078	6,728,147
Buildings and Distribution	84,899,832	84,596,067	303,765
Machinery and Equipment	15,681,710	15,631,120	50,590
Vehicles	897,548	942,313	(44,765)
Less: Accumulated Depreciation	(66,430,071)	(63,931,887)	(2,498,184)
Totals	\$43,049,260	\$38,509,707	\$4,539,553

The primary increase occurred in infrastructure for the Governmental Activities. This was due to the construction expenses for the Flood Relief and Erosion Control Project and the Dustin Road Project. The largest increase in the Business-Type Activities was in construction in progress.

As of December 31, 2014, the City has contractual commitments of \$59,993,121, as listed in Note 16, for various projects. Included in these projects are street improvements, storm drainage, sanitary sewer, improvements to the Waste Water Treatment Plant and intersection improvements. Additional information on the City's capital assets can be found in Note 10.

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2014

Unaudited

Debt

At December 31, 2014, the City had \$7.6 million in bonds outstanding, \$697,530 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2014 and 2013:

	2014	2013
Governmental Activities:		
General Obligation Bonds	\$6,667,361	\$7,118,508
Special Assessment Bonds	75,000	98,000
Promissory Note	23,362	45,769
OPWC Loans Payable	1,077,564	686,775
Pension Liability	45,101	46,463
Workers Compensation Liability	72,718	164,948
Capital Lease Payable	62,766	92,469
Compensated Absences	2,765,995	2,572,783
Total Governmental Activities	<u>10,789,867</u>	<u>10,825,715</u>
Business-Type Activities:		
General Obligation Bonds	\$875,722	\$1,114,296
OWDA Loans Payable	21,531,145	17,380,418
OPWC Loans Payable	2,474,986	2,298,248
Compensated Absences	775,657	749,009
Total Business-Type Activities	<u>25,657,510</u>	<u>21,541,971</u>
Totals	<u>\$36,447,377</u>	<u>\$32,367,686</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 the City lies, is limited to ten mills. At December 31, 2014, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

CITY OF OREGON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2014***

Unaudited

ECONOMIC FACTORS

The City's original budget for 2014 utilized conservative revenue estimates with limited adjustments in base operating costs. Original General Fund revenues were projected to be at the same level as actual receipts for 2013.

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 Position December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 20,183,849	\$ 3,196,720	\$ 23,380,569
Investments	49,533,026	11,211,312	60,744,338
Receivables:			
Taxes	3,881,842	0	3,881,842
Accounts	189,509	1,111,285	1,300,794
Intergovernmental	956,368	2,048,108	3,004,476
Interest	150,286	0	150,286
Special Assessments	3,171,021	251,357	3,422,378
Loans	131,504	0	131,504
Internal Balances	(199,277)	199,277	0
Inventory of Supplies at Cost	654,182	470,331	1,124,513
Prepaid Items	151,853	72,885	224,738
Capital Assets:			
Capital Assets Not Being Depreciated	13,652,600	8,000,241	21,652,841
Capital Assets Being Depreciated, Net	43,479,743	35,049,019	78,528,762
Total Assets	135,936,506	61,610,535	197,547,041
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	0	28,580	28,580
Liabilities:			
Accounts Payable	819,006	653,263	1,472,269
Accrued Wages and Benefits	916,074	197,600	1,113,674
Intergovernmental Payable	874	0	874
Retainage Payable	139,552	263,172	402,724
Accrued Interest Payable	13,996	2,050	16,046
Noncurrent liabilities:			
Due within one year	1,517,050	2,066,592	3,583,642
Due in more than one year	9,272,817	23,590,918	32,863,735
Total Liabilities	12,679,369	26,773,595	39,452,964
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	976,626	0	976,626

CITY OF OREGON, OHIO

	Governmental Activities	Business-Type Activities	Total
Net Position:			
Net Investment in Capital Assets	49,429,082	18,195,987	67,625,069
Restricted For:			
Capital Projects	2,900,933	0	2,900,933
Debt Service	2,505,925	0	2,505,925
Street Construction, Maintenance and Repair	623,757	0	623,757
Court Special Projects	323,503	0	323,503
Housing Assistance	105,162	0	105,162
Solid Waste	5,830,323	0	5,830,323
Storm Sewer Project	2,645,218	0	2,645,218
Street Lighting	1,007,774	0	1,007,774
Perpetual Care:			
Nonexpendable	78,413	0	78,413
Other Purposes	2,385,319	0	2,385,319
Unrestricted	54,445,102	16,669,533	71,114,635
Total Net Position	\$ 122,280,511	\$ 34,865,520	\$ 157,146,031

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Activities For the Year Ended December 31, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 10,507,031	\$ 636,231	\$ 35,072	\$ 408,541
Public Health and Welfare Services	407,376	59,812	0	0
Leisure Time Activities	988,455	200,108	0	0
Community Environment	956,567	325,269	73,423	0
Basic Utility Services	1,260,184	1,427	497,724	195,987
Transportation	4,807,685	48,669	1,063,711	2,735,603
General Government	6,151,004	1,825,905	0	6,649
Interest and Fiscal Charges	216,153	0	0	0
Total Governmental Activities	25,294,455	3,097,421	1,669,930	3,346,780
Business-Type Activities:				
Water	6,311,522	5,020,883	0	0
Sewer	6,188,557	4,024,641	0	393,460
Total Business-Type Activities	12,500,079	9,045,524	0	393,460
Totals	\$ 37,794,534	\$ 12,142,945	\$ 1,669,930	\$ 3,740,240

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 Position

 Net Position Beginning of Year
 Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (9,427,187)	\$ 0	\$ (9,427,187)
(347,564)	0	(347,564)
(788,347)	0	(788,347)
(557,875)	0	(557,875)
(565,046)	0	(565,046)
(959,702)	0	(959,702)
(4,318,450)	0	(4,318,450)
(216,153)	0	(216,153)
<u>(17,180,324)</u>	<u>0</u>	<u>(17,180,324)</u>
0	(1,290,639)	(1,290,639)
0	(1,770,456)	(1,770,456)
<u>0</u>	<u>(3,061,095)</u>	<u>(3,061,095)</u>
<u>(17,180,324)</u>	<u>(3,061,095)</u>	<u>(20,241,419)</u>
1,503,435	0	1,503,435
31,836,862	0	31,836,862
1,198,680	0	1,198,680
1,045,152	24,196	1,069,348
871,940	0	871,940
<u>(3,386,805)</u>	<u>3,386,805</u>	<u>0</u>
<u>33,069,264</u>	<u>3,411,001</u>	<u>36,480,265</u>
15,888,940	349,906	16,238,846
<u>106,391,571</u>	<u>34,515,614</u>	<u>140,907,185</u>
<u>\$ 122,280,511</u>	<u>\$ 34,865,520</u>	<u>\$ 157,146,031</u>

CITY OF OREGON, OHIO

Balance Sheet Governmental Funds December 31, 2014

	General	Special Assessment Bond Retirement	Street Construction
Assets:			
Cash and Cash Equivalents	\$ 11,532,586	\$ 307,919	\$ 2,848,419
Investments	40,108,155	0	0
Receivables:			
Taxes	3,054,468	0	0
Accounts	145,453	0	0
Intergovernmental	288,279	0	124,343
Interest	150,286	0	0
Special Assessments	11,829	2,035,343	0
Loans	0	0	0
Inventory of Supplies, at Cost	654,182	0	0
Prepaid Items	135,348	0	0
Total Assets	\$ 56,080,586	\$ 2,343,262	\$ 2,972,762
Liabilities:			
Accounts Payable	\$ 251,564	\$ 0	\$ 181,893
Accrued Wages and Benefits Payable	825,535	0	0
Intergovernmental Payable	874	0	0
Retainage Payable	0	0	61,587
Total Liabilities	1,077,973	0	243,480
Deferred Inflows of Resources:			
Unavailable Amounts	869,736	2,035,343	300
Property Tax for Next Fiscal Year	672,805	0	0
Total Deferred Inflows of Resources	1,542,541	2,035,343	300
Fund Balances:			
Nonspendable	789,530	0	0
Restricted	0	307,919	2,728,982
Committed	975,457	0	0
Assigned	3,435,262	0	0
Unassigned	48,259,823	0	0
Total Fund Balances	53,460,072	307,919	2,728,982
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 56,080,586	\$ 2,343,262	\$ 2,972,762

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 4,661,309	\$ 19,350,233
8,872,769	48,980,924
827,374	3,881,842
44,056	189,509
543,746	956,368
0	150,286
1,123,849	3,171,021
131,504	131,504
0	654,182
12,180	147,528
<u>\$ 16,216,787</u>	<u>\$ 77,613,397</u>
\$ 384,949	\$ 818,406
90,539	916,074
0	874
77,965	139,552
<u>553,453</u>	<u>1,874,906</u>
1,652,345	4,557,724
303,821	976,626
<u>1,956,166</u>	<u>5,534,350</u>
90,593	880,123
11,797,325	14,834,226
1,840,858	2,816,315
0	3,435,262
(21,608)	48,238,215
<u>13,707,168</u>	<u>70,204,141</u>
<u>\$ 16,216,787</u>	<u>\$ 77,613,397</u>

CITY OF OREGON, OHIO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2014

Total Governmental Fund Balances	\$ 70,204,141
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	57,132,343
Other long-term assets are not available to pay for current- period expenditures and therefore are unavailable revenues in the funds.	4,557,724
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 position.	1,117,448
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,731,145)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 122,280,511</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, 2014

	General	Special Assessment Bond Retirement	Street Construction
Revenues:			
Property Taxes	\$ 630,020	\$ 0	\$ 0
Municipal Income Taxes	26,348,667	0	0
Intergovernmental Revenues	666,521	0	719,197
Charges for Services	1,950,060	0	0
Licenses, Permits and Fees	292,307	0	0
Investment Earnings	1,020,962	0	0
Special Assessments	8,005	67,941	0
Fines and Forfeitures	297,818	0	0
Donations	0	0	0
All Other Revenue	363,615	0	0
Total Revenue	31,577,975	67,941	719,197
Expenditures:			
Current:			
Security of Persons and Property	9,383,099	0	0
Public Health and Welfare Services	427,165	0	0
Leisure Time Activities	10,500	0	0
Community Environment	674,550	0	0
Basic Utility Services	0	0	0
Transportation	2,883,954	0	0
General Government	3,959,335	0	0
Capital Outlay	0	0	3,167,160
Debt Service:			
Principal Retirement	29,703	23,000	0
Interest & Fiscal Charges	2,992	20,114	0
Total Expenditures	17,371,298	43,114	3,167,160
Excess (Deficiency) of Revenues Over Expenditures	14,206,677	24,827	(2,447,963)
Other Financing Sources (Uses):			
Sale of Capital Assets	376	0	0
OPWC Loans Issued	0	0	0
Transfers In	2,000	57,795	4,635,613
Transfers Out	(7,546,182)	0	0
Total Other Financing Sources (Uses)	(7,543,806)	57,795	4,635,613
Net Change in Fund Balances	6,662,871	82,622	2,187,650
Fund Balances at Beginning of Year	46,422,100	225,297	541,332
Increase in Inventory	375,101	0	0
Fund Balances End of Year	\$ 53,460,072	\$ 307,919	\$ 2,728,982

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 892,778	\$ 1,522,798
5,355,874	31,704,541
2,933,391	4,319,109
287,789	2,237,849
0	292,307
117	1,021,079
584,376	660,322
154,915	452,733
1,877,316	1,877,316
366,413	730,028
<u>12,452,969</u>	<u>44,818,082</u>
1,673,478	11,056,577
3,801	430,966
929,228	939,728
336,487	1,011,037
1,363,410	1,363,410
1,132,577	4,016,531
2,540,251	6,499,586
1,686,179	4,853,339
507,217	559,920
202,186	225,292
<u>10,374,814</u>	<u>30,956,386</u>
2,078,155	13,861,696
0	376
432,230	432,230
1,793,949	6,489,357
<u>(2,329,980)</u>	<u>(9,876,162)</u>
<u>(103,801)</u>	<u>(2,954,199)</u>
1,974,354	10,907,497
11,732,814	58,921,543
0	375,101
<u>\$ 13,707,168</u>	<u>\$ 70,204,141</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 Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 10,907,497

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 4,847,592

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. (5,037)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (248,258)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond and loan principal along with other long-term obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 136,830

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,361

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. 181,889

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. 67,066

Change in Net Position of Governmental Activities \$ 15,888,940

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 735,100	\$ 735,100	\$ 630,020	\$ (105,080)
Municipal Income Taxes	15,193,800	15,159,000	26,012,061	10,853,061
Intergovernmental Revenue	673,500	673,500	772,335	98,835
Charges for Services	1,925,852	1,882,902	1,948,720	65,818
Licenses, Permits and Fees	204,200	204,200	289,001	84,801
Investment Earnings	600,000	600,000	882,243	282,243
Special Assessments	5,000	5,000	8,005	3,005
Fines and Forfeitures	225,000	225,000	293,192	68,192
All Other Revenues	80,000	80,000	306,551	226,551
Total Revenues	<u>19,642,452</u>	<u>19,564,702</u>	<u>31,142,128</u>	<u>11,577,426</u>
Expenditures:				
Current:				
Security of Persons and Property	8,785,043	9,863,921	9,590,978	272,943
Public Health and Welfare Services	457,276	464,866	433,855	31,011
Leisure Time Activities	10,500	10,500	10,500	0
Community Environment	655,033	691,206	685,709	5,497
Transportation	2,821,423	3,101,455	3,008,369	93,086
General Government	4,201,017	4,347,870	3,937,760	410,110
Debt Service:				
Principal Retirement	29,703	29,703	29,703	0
Interest and Fiscal Charges	2,993	2,993	2,992	1
Total Expenditures	<u>16,962,988</u>	<u>18,512,514</u>	<u>17,699,866</u>	<u>812,648</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,679,464	1,052,188	13,442,262	12,390,074
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	376	(624)
Transfers In	316,764	296,619	287,868	(8,751)
Transfers Out	(4,672,688)	(7,844,301)	(7,833,550)	10,751
Total Other Financing Sources (Uses):	<u>(4,354,924)</u>	<u>(7,546,682)</u>	<u>(7,545,306)</u>	<u>1,376</u>
Net Change In Fund Balance	(1,675,460)	(6,494,494)	5,896,956	12,391,450
Fund Balance at Beginning of Year	45,107,920	45,107,920	45,107,920	0
Prior Year Encumbrances	444,529	444,529	444,529	0
Fund Balance at End of Year	<u>\$ 43,876,989</u>	<u>\$ 39,057,955</u>	<u>\$ 51,449,405</u>	<u>\$ 12,391,450</u>

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Net Position Proprietary Funds December 31, 2014

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water	Sewer	Total	
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 2,000,817	\$ 1,195,903	\$ 3,196,720	\$ 833,616
Investments	7,017,124	4,194,188	11,211,312	552,102
Accounts receivable (net of allow for uncollectibles)	573,666	537,619	1,111,285	0
Intergovernmental receivable	0	2,048,108	2,048,108	0
Special Assessments receivable	45,844	205,513	251,357	0
Inventory of Supplies at Cost	462,162	8,169	470,331	0
Prepaid Items	41,036	31,849	72,885	4,325
Total current assets	10,140,649	8,221,349	18,361,998	1,390,043
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	40,151,843	62,083,263	102,235,106	0
Construction in Progress	344,146	6,900,079	7,244,225	0
Less accumulated depreciation	(22,775,713)	(43,654,358)	(66,430,071)	0
Total noncurrent assets	17,720,276	25,328,984	43,049,260	0
Total assets	27,860,925	33,550,333	61,411,258	1,390,043
Deferred Outflows of Resources:				
Deferred Charge on Debt Refunding	0	28,580	28,580	0
LIABILITIES				
Current liabilities:				
Accounts Payable	383,650	269,613	653,263	600
Accrued Wages and Benefits	107,926	89,674	197,600	0
Retainage Payable	12,052	251,120	263,172	0
Accrued Interest Payable	0	2,050	2,050	0
Compensated Absences Payable - Current	148,776	96,382	245,158	0
General Obligation Bonds Payable - Current	0	220,000	220,000	0
OWDA Loans Payable - Current	844,343	573,875	1,418,218	0
OPWC Loans Payable - Current	141,046	42,170	183,216	0
Total Current Liabilities	1,637,793	1,544,884	3,182,677	600
Noncurrent Liabilities:				
Workers Compensation Liability	0	0	0	72,718
General Obligation Bonds Payable	0	655,722	655,722	0
OWDA Loans Payable	8,248,806	11,864,121	20,112,927	0
OPWC Loans Payable	1,286,538	1,005,232	2,291,770	0
Compensated Absences Payable	271,859	258,640	530,499	0
Total noncurrent liabilities	9,807,203	13,783,715	23,590,918	72,718
Total Liabilities	11,444,996	15,328,599	26,773,595	73,318

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
NET POSITION				
Net Investment in Capital Assets	7,199,543	10,996,444	18,195,987	0
Unrestricted	9,216,386	7,253,870	16,470,256	1,316,725
Total Net Position	<u>\$ 16,415,929</u>	<u>\$ 18,250,314</u>	<u>34,666,243</u>	<u>\$ 1,316,725</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			199,277	
Net Position of Business-type Activities			<u>\$ 34,865,520</u>	

See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2014

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 4,679,413	\$ 3,602,509	\$ 8,281,922	\$ 70,294
Other Charges for Services	3,675	0	3,675	0
Other Operating Revenues	337,318	406,577	743,895	244,028
Total Operating Revenues	5,020,406	4,009,086	9,029,492	314,322
Operating Expenses:				
Personal Services	2,156,708	1,926,255	4,082,963	244,326
Contractual Services	1,552,180	1,795,035	3,347,215	0
Materials and Supplies	925,438	63,233	988,671	0
Utilities	377,116	473,428	850,544	0
Depreciation	912,099	1,668,008	2,580,107	0
Total Operating Expenses	5,923,541	5,925,959	11,849,500	244,326
Operating Income (Loss)	(903,135)	(1,916,873)	(2,820,008)	69,996
Non-Operating Revenue (Expenses):				
Interest Income	24,196	0	24,196	0
Interest and Fiscal Charges	(383,775)	(269,734)	(653,509)	0
Sale of Capital Assets	477	0	477	0
Other Nonoperating Revenue	0	15,555	15,555	0
Total Non-Operating Revenues (Expenses)	(359,102)	(254,179)	(613,281)	0
Income (Loss) Before Contributions and Transfers	(1,262,237)	(2,171,052)	(3,433,289)	69,996
Capital Contributions	0	393,460	393,460	0
Transfers In	2,394,600	1,200,000	3,594,600	0
Transfers Out	0	(207,795)	(207,795)	0
Change in Net Position	1,132,363	(785,387)	346,976	69,996
Net Position Beginning of Year	15,283,566	19,035,701	34,319,267	1,246,729
Net Position End of Year	\$ 16,415,929	\$ 18,250,314	34,666,243	\$ 1,316,725
Change in Net Position - Total Enterprise Funds			346,976	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			2,930	
Change in Net Position - Business-type Activities			<u>\$ 349,906</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, 2014

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$4,971,587	\$4,043,059	\$9,014,646	\$314,322
Cash Payments for Goods and Services	(2,605,479)	(2,343,079)	(4,948,558)	0
Cash Payments to Employees	(2,144,607)	(1,906,134)	(4,050,741)	(336,556)
Net Cash Provided (Used) by Operating Activities	221,501	(206,154)	15,347	(22,234)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	2,394,600	1,200,000	3,594,600	0
Transfers Out to Other Funds	0	(207,795)	(207,795)	0
Net Cash Provided by Noncapital Financing Activities	2,394,600	992,205	3,386,805	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(132,503)	(6,271,382)	(6,403,885)	0
Sale of Capital Assets	477	0	477	0
Capital Contributions	0	427,898	427,898	0
Principal Paid on General Obligation Bonds	0	(220,000)	(220,000)	0
Ohio Water Development Authority Loans Issued	0	3,871,797	3,871,797	0
Ohio Public Works Commission Loans Issued	0	30,611	30,611	0
Principal Paid on				
Ohio Water Development Authority Loans	(811,246)	(628,589)	(1,439,835)	0
Principal Paid on				
Ohio Public Works Commission Loan	(141,046)	(42,170)	(183,216)	0
Interest Paid on All Debt	(383,775)	(281,713)	(665,488)	0
Net Cash Used for				
Noncapital Financing Activities	(1,468,093)	(3,113,548)	(4,581,641)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	432,787	3,134,039	3,566,826	153,673
Receipts of Interest	24,196	0	24,196	0
Net Cash Provided by Investing Activities	456,983	3,134,039	3,591,022	153,673
Net Increase in Cash and Cash Equivalents	1,604,991	806,542	2,411,533	131,439
Cash and Cash Equivalents at Beginning of Year	395,826	389,361	785,187	702,177
Cash and Cash Equivalents at End of Year	\$2,000,817	\$1,195,903	\$3,196,720	\$833,616

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash				
<u>Provided (Used) for Operating Activities:</u>				
Operating Income (Loss)	(\$903,135)	(\$1,916,873)	(\$2,820,008)	\$69,996
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Miscellaneous Nonoperating Income	0	15,555	15,555	0
Depreciation Expense	912,099	1,668,008	2,580,107	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(47,723)	2,541	(45,182)	0
Decrease (Increase) in Special Assessments Receivable	(1,096)	15,877	14,781	0
Decrease (Increase) in Inventory	187,453	(519)	186,934	0
Increase in Prepaid Items	(3,242)	(1,248)	(4,490)	0
Decrease (Increase) in Accounts Payable	65,044	(9,616)	55,428	0
Increase in Accrued Wages and Benefits	618	4,956	5,574	0
Decrease in Workers' Compensation Liability	0	0	0	(92,230)
Increase in Compensated Absences	11,483	15,165	26,648	0
Total Adjustments	1,124,636	1,710,719	2,835,355	(92,230)
Net Cash Provided (Used) by Operating Activities	\$221,501	(\$206,154)	\$15,347	(\$22,234)

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2014, the Water and the Sewer Funds had outstanding liabilities of \$275,245 and \$478,477, respectively, for the purchase of certain capital assets.

During 2014, OWDA and OPWC Loans issued in the amounts of \$1,718,765 and \$329,343, respectively, were booked as intergovernmental receivables in the Sewer Fund.

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Assets and Liabilities Fiduciary Funds December 31, 2014

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 111,970
Total Assets	<u>\$ 111,970</u>
Liabilities:	
Intergovernmental Payable	90,120
Due to Others	<u>21,850</u>
Total Liabilities	<u>\$ 111,970</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, 2014

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, 2014 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 GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*," 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2014

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 and deferred inflows of resources (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.

Street Construction Fund – This fund is used to account for revenues received from various sources to be used for street construction projects within the City.

Proprietary Funds - All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 total net position.

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, 2014

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 position and changes in net position. 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.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position 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, 2014

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 deferred outflows of resources and current liabilities and deferred inflows of resources, 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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, 2014

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 inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2014, but which are not intended to finance 2014 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 7.

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.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, state levied shared taxes, interest and other revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance 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 2014.

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 legal 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 by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. During 2014 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. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 constrain 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 in the 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. On a budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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)	\$6,662,871
Increase (Decrease):	
Accrued Revenues at December 31, 2014 received during 2015	(2,107,774)
Accrued Revenues at December 31, 2013 received during 2014	2,077,063
Accrued Expenditures at December 31, 2014 paid during 2015	1,077,973
Accrued Expenditures at December 31, 2013 paid during 2014	(926,935)
2013 Adjustment to Fair Value	(708,451)
2014 Adjustment to Fair Value	338,115
2013 Prepays for 2014	124,037
2014 Prepays for 2015	(135,348)
Outstanding Encumbrances	(503,966)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(629)
Budget Basis	<u><u>\$5,896,956</u></u>

G. 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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 6, "Cash, Cash Equivalents and Investments."

H. 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 6, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2014. 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, 2014.

I. 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.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 Position, 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.

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.

2. Property, Plant and Equipment – Business Type Activities

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 Position 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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, Water Fund
Ohio Public Works Commission Loan	General Obligation Bond Retirement Fund Sewer Fund, Water 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

M. 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.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

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 position, "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.

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is 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 position is available.

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions

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

Q. 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.

R. 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.

S. 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.

T. 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 2014.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficit at December 31, 2014 of \$21,608 in the EMS Operating Fund (special revenue fund) arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficit does not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

B. Negative Fund Cash Balance

Ohio Revised Code Section 5705.10 states monies paid into any fund shall be used only for the purposes for which the fund is established. The Waste Water Treatment Plant Improvement Fund had a negative fund balance in the amount of \$1,496,660 at December 31, 2014. This fund is reported as part of the Sewer Fund on the financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For 2014 the City implemented GASB Statement No. 69, “*Government Combinations and Disposals of Government Operations*,” and GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”.

Statement No. 69 establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). This statement also provides guidance on how to determine the gain or loss on a disposal of government operations.

Statement No. 70 establishes accounting and financial reporting standards for situations where a state or local government , as guarantor, agrees to indemnify a third-party obligation holder under specific conditions.

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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 position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. 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	\$655,429
Delinquent Property Tax Revenue	55,674
Shared Revenues	455,388
Interest Revenues	88,708
All Other Revenue	131,504
Special Assessment Revenue	3,171,021
	<hr/>
	\$4,557,724

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$75,000)
General Obligation Bonds Payable	(6,527,335)
OPWC Loans Payable	(1,077,564)
Promissory Note Payable	(23,362)
Accrued Pension Liability	(45,101)
Accrued Interest on Long-Term Debt	(13,996)
Premium on Bonds Issued	(140,026)
Capital Leases Payable	(62,766)
Compensated Absences Payable	(2,765,995)
	<hr/>
	(\$10,731,145)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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 position 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	\$7,055,862
Depreciation Expense	(2,208,270)
	<u>\$4,847,592</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$132,321
Decrease in Delinquent Property Tax	(19,363)
Decrease in Shared Revenue	(396,225)
Decrease in All Other Revenues	(12,560)
Increase in Interest Revenue	24,073
Increase in Special Assessment Revenue	23,496
	<u>(\$248,258)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$193,212)
Increase in supplies inventory	375,101
	<u>\$181,889</u>

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 5 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Special Assessment Bond Retirement Fund	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Principal	\$0	\$0	\$0	\$78,413	\$78,413
Prepaid Items	135,348	0	0	12,180	147,528
Supplies Inventory	654,182	0	0	0	654,182
Total Nonspendable	789,530	0	0	90,593	880,123
Restricted:					
Special Assessment Debt Service Payments	0	307,919	0	0	307,919
Street Construction and Maintenance	0	0	0	379,837	379,837
State Highway Improvement	0	0	0	26,580	26,580
Permissive Auto Tax	0	0	0	28,805	28,805
Drug Law Enforcement and Education	0	0	0	11,011	11,011
Police Grants	0	0	0	24,404	24,404
Police Levy	0	0	0	167,142	167,142
Drug Law Enforcement	0	0	0	48,104	48,104
DUI and Seatbelt Grant	0	0	0	18,740	18,740
Fire Operation	0	0	0	499,883	499,883
Electronic Monitor Device	0	0	0	2,663	2,663
Indigent Drivers Alchohol Treatment	0	0	0	79,191	79,191
City Recreation	0	0	0	109,166	109,166
Legal Computer Research	0	0	0	176,981	176,981
Court Special Projects	0	0	0	323,503	323,503
Probation Services	0	0	0	66,763	66,763
IDIAMF	0	0	0	29,251	29,251
Community Development Block Grant	0	0	0	67,180	67,180
Housing Assistance	0	0	0	105,162	105,162
Local Law Enforcement Block Grant	0	0	0	191	191
Cedar Point Development	0	0	0	370,985	370,985
Revolving Loan	0	0	0	63,560	63,560
FEMA	0	0	0	5	5
Solid Waste	0	0	0	5,729,899	5,729,899
Storm Sewer Projects	0	0	0	2,608,776	2,608,776
Street Lighting	0	0	0	306,863	306,863
Sewer Maintenance	0	0	0	204,803	204,803
Street Construction	0	0	2,728,982	0	2,728,982
Cedar Point TIF	0	0	0	42,291	42,291
BP Husky TIF	0	0	0	96,623	96,623
Street, Recreation and Building	0	0	0	171,218	171,218
General Bond Retirement	0	0	0	37,745	37,745
Total Restricted	0	307,919	2,728,982	11,797,325	14,834,226

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 5 – FUND BALANCE CLASSIFICATION (Continued)

Fund Balances	General Fund	Special Assessment Bond Retirement Fund	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Committed:					
Payroll Stabilization	975,457	0	0	0	975,457
Fire Operation	0	0	0	41,685	41,685
City Recreation	0	0	0	170,535	170,535
Hazardous Waste	0	0	0	277,267	277,267
Fire Pumper	0	0	0	4,384	4,384
Parkland Acquisition	0	0	0	200,126	200,126
StormSewer Construction	0	0	0	1,140,242	1,140,242
Economic Development	0	0	0	5,745	5,745
Community Event	0	0	0	874	874
Total Committed	<u>975,457</u>	<u>0</u>	<u>0</u>	<u>1,840,858</u>	<u>2,816,315</u>
Assigned:					
Fiscal Year 2015 Appropriations	3,031,171	0	0	0	3,031,171
Purchase Orders	404,091	0	0	0	404,091
Unassigned	48,259,823	0	0	(21,608)	48,238,215
Total Fund Balances	<u>\$53,460,072</u>	<u>\$307,919</u>	<u>\$2,728,982</u>	<u>\$13,707,168</u>	<u>\$70,204,141</u>

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 6 - 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, 2014

NOTE 6 - 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 county, 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 \$28,491,625 and the bank balance was \$30,158,708. The Federal Deposit Insurance Corporation (FDIC) covered \$11,284,572 of the bank balance and \$18,874,136 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>\$18,874,136</u>
Total Balance	<u><u>\$18,874,136</u></u>

Investment earnings of \$393,373 earned by other funds were credited to the General Fund as required by local statute.

B. Investments

The City's investments at December 31, 2014 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
FHLB	\$16,489,529	AA+ ¹ / Aaa ²	\$0	\$2,993,770	\$13,495,759
FHLMC	8,330,280	AA+ ¹ / Aaa ²	0	497,960	7,832,320
FNMA	20,560,495	AA+ ¹ / Aaa ²	0	5,004,509	15,555,986
FFCB	5,452,815	AA+ ¹ / Aaa ²	0	2,480,725	2,972,090
Negotiable CD's	4,911,219	AA+ ¹	250,125	1,940,391	2,720,703
STAR Ohio	914	AAAm ¹	914	0	0
Total Investments	<u>\$55,745,252</u>		<u>\$251,039</u>	<u>\$12,917,355</u>	<u>\$42,576,858</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, 2014

NOTE 6 - 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 FHLB, FHLMC, FNMA and FFCB securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Investments in Star Ohio were rated AAAM by Standard & Poor’s.

Custodial Credit Risk – The City’s investments in FHLB, FHLMC, FNMA and FFCB securities in the amounts of \$16,489,529, \$8,330,280, \$20,560,495 and \$5,452,815, 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, 29.6% are FHLB, 14.9% are FHLMC, 36.8% are FNMA, 9.9% are FFCB, less than 1% is Star Ohio and 8.8% are negotiable CD’s.

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	\$23,492,539	\$60,744,338
Certificates of Deposit (with maturities of more than 3 months)	5,000,000	(5,000,000)
Investments:		
STAR Ohio	(914)	914
Per Footnote	<u>\$28,491,625</u>	<u>\$55,745,252</u>

NOTE 7 - 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 2014 were levied after October 1, 2013 on assessed values as of January 1, 2013, 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 2012 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, 2014

NOTE 7 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real 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 Lucas 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, 2014 was \$4.00 per \$1,000 of assessed value. The assessed value upon which the 2014 tax receipts were based was \$421,621,770. This amount constitutes \$393,670,450 in real property assessed value and \$27,951,320 in public utility 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 0.400% (4.00 mills) of assessed value.

B. Income Tax

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

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2014 consisted of taxes, interest, loans, accounts receivable, special assessments and intergovernmental receivables.

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2014:

	Transfers In:						Total
	General Fund	Special Assessment Bond Retirement Fund	Street Construction Fund	Other Governmental Funds	Water Fund	Sewer Fund	
Transfers Out:							
General Fund	\$0	\$0	\$2,951,458	\$1,000,124	\$2,394,600	\$1,200,000	\$7,546,182
Other Governmental Funds	2,000	0	1,684,155	643,825	0	0	2,329,980
Sewer Fund	0	57,795	0	150,000	0	0	207,795
	<u>\$2,000</u>	<u>\$57,795</u>	<u>\$4,635,613</u>	<u>\$1,793,949</u>	<u>\$2,394,600</u>	<u>\$1,200,000</u>	<u>\$10,083,957</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 \$6,697,152 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, 2014

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2014:

Historical Cost:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land	\$4,653,808	\$0	\$0	\$4,653,808
Construction in Progress	10,078,867	4,632,895	(5,712,970)	8,998,792
Subtotal	14,732,675	4,632,895	(5,712,970)	13,652,600
<i>Capital assets being depreciated:</i>				
Land Improvements	3,283,551	158,717	0	3,442,268
Buildings and Improvements	7,856,342	514,906	0	8,371,248
Machinery and Equipment	3,828,546	256,412	(16,382)	4,068,576
Vehicles	6,717,367	897,325	(90,215)	7,524,477
Infrastructure	56,066,737	6,308,577	0	62,375,314
Subtotal	77,752,543	8,135,937	(106,597)	85,781,883
Total Cost	\$92,485,218	\$12,768,832	(\$5,819,567)	\$99,434,483

Accumulated Depreciation:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Land Improvements	(\$1,915,910)	(\$123,396)	\$0	(\$2,039,306)
Buildings and Improvements	(5,479,317)	(185,078)	0	(5,664,395)
Machinery and Equipment	(2,841,147)	(187,110)	11,345	(3,016,912)
Vehicles	(5,145,054)	(449,519)	90,215	(5,504,358)
Infrastructure	(24,814,002)	(1,263,167)	0	(26,077,169)
Total Depreciation	(\$40,195,430)	(\$2,208,270) *	\$101,560	(\$42,302,140)
<i>Net Value:</i>	\$52,289,788			\$57,132,343

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$354,731
Public Health and Welfare Services	13,100
Leisure Time Activities	128,301
Community Environment	10,616
Transportation	1,548,296
General Government	153,226
Total Depreciation Expense	\$2,208,270

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 10 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2014:

Historical Cost:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land	\$756,016	\$0	\$0	\$756,016
Construction in Progress	516,078	6,737,939	(9,792)	7,244,225
Subtotal	1,272,094	6,737,939	(9,792)	8,000,241
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	84,596,067	303,765	0	84,899,832
Machinery and Equipment	15,631,120	59,195	(8,605)	15,681,710
Vehicles	942,313	28,553	(73,318)	897,548
Subtotal	101,169,500	391,513	(81,923)	101,479,090
Total Cost	\$102,441,594	\$7,129,452	(\$91,715)	\$109,479,331

Accumulated Depreciation:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
Buildings and Distributions	(\$58,286,095)	(\$2,067,893)	\$0	(\$60,353,988)
Machinery and Equipment	(4,798,725)	(482,924)	8,605	(5,273,044)
Vehicles	(847,067)	(29,290)	73,318	(803,039)
Total Depreciation	(\$63,931,887)	(\$2,580,107)	\$81,923	(\$66,430,071)
<i>Net Value:</i>	\$38,509,707			\$43,049,260

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 11 – 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 visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 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 2014, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2014 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 12.0% for calendar year 2014. The City's contributions for pension obligations to OPERS for the years ending December 31, 2014, 2013, and 2012 were \$1201,202, \$1,134,077 and \$1,120,241, respectively, or 92.6% of the required contributions for 2014 and 100% of the required contributions for 2013 and 2012. The unpaid contribution to fund pension obligations for 2014, in the amount of \$88,401, is recorded as a liability within the respective funds.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 11 – 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, by calling (614) 228-2975, or by visiting www.op-f.org.

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were 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 2014, 19.0% of annual covered salary for police and 23.5% 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, 2014, 2013, and 2012 were \$699,469, \$639,484 and \$651,425 for police officers and \$223,703, \$228,426 and \$212,323 for firefighters, respectively, or 92.2% and 93.6%, respectively of the required contributions for 2014 and 100% of the required contributions for 2013 and 2012. The unpaid contribution to fund pension obligations for 2014, in the amounts of \$54,226 for police and \$14,336 for fire, is recorded as a liability within the respective funds.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2014***

NOTE 12 - 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. OPERS’ eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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 visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

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 2014, 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 14.00% 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. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS actuary. 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, 2014, 2013, and 2012 were \$171,600, \$81,006 and \$320,069, respectively, or 92.6% of the required contributions for 2014 and 100% of the required contributions for 2013 and 2012.

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

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, 2014

NOTE 12 - 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. That report is also available on OP&F’s website at www.op-f.org.

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.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. 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, 2014, 2013, and 2012 were \$17,935, \$118,605 and \$225,493 for police and \$4,660, \$34,423 and \$59,716 for firefighters, respectively, or 92.2% and 93.6% respectively, of the required contributions for 2014 and 100% of the required contributions for 2013 and 2012.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 13 - 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, 2014, the City's accumulated, unpaid compensated absences amounted to \$3,541,652, of which \$2,765,995 is recorded as a liability of the Governmental Activities and \$775,657 is recorded as a liability of the Business-Type Activities.

NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2014 was as follows:

	Balance December 31, 2013	Issued	(Retired)	Balance December 31, 2014	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
General Obligation Bonds:					
4.67% Land Acquisition	\$280,704	\$0	(\$108,369)	\$172,335	\$113,530
2.00% Wheeling Street Improvement	3,775,000	0	(200,000)	3,575,000	205,000
Premium	91,053	0	(4,792)	86,261	0
2.00% Big Ditch/Stadium	2,915,000	0	(135,000)	2,780,000	135,000
Premium	56,751	0	(2,986)	53,765	0
Total General Obligation Bonds	7,118,508	0	(451,147)	6,667,361	453,530
Special Assessment Bond Payable with Governmental Commitment:					
5.25% York Street Waterline	98,000	0	(23,000)	75,000	24,000

(Continued)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 14 - LONG-TERM DEBT (Continued)

	Balance December 31, 2013	Issued	(Retired)	Balance December 31, 2014	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
Promissory Note Payable:					
4.22% Circuit 715 Lighting	\$45,769	\$0	(\$22,407)	\$23,362	\$23,362
Ohio Public Works Commission Loan:					
0.00% Big Ditch Improvement	418,950	0	(23,940)	395,010	23,940
0.00% Oregon Flood Relief	267,825	432,230	(17,501)	682,554	35,002
Total Ohio Public Works Commission Loans	686,775	432,230	(41,441)	1,077,564	58,942
Compensated Absences	2,572,783	2,765,995	(2,572,783)	2,765,995	924,986
Capital Leases	92,469	0	(29,703)	62,766	30,809
Workers Compensation Liability	164,948	0	(92,230)	72,718	0
Police and Firemen's Pension Accrued Liability	46,463	0	(1,362)	45,101	1,421
Total Governmental Activities Long-Term Debt	\$10,825,715	\$3,198,225	(\$3,234,073)	\$10,789,867	\$1,517,050

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 14 - LONG-TERM DEBT (Continued)

		Balance			Balance	Amount
		December 31,	Issued	(Retired)	December 31,	Due Within
		2013			2014	One Year
Business-Type Long-Term Debt:						
General Obligation Bonds:						
2.00%	Sewer Improvement	\$1,040,000	\$0	(\$220,000)	\$820,000	\$220,000
	Premium	74,296	0	(18,574)	55,722	0
	Total General Obligation Bonds	1,114,296	0	(238,574)	875,722	220,000
Ohio Public Works Commission Loans:						
0.00%	Zebra Mussel Control - Raw Water Intake	123,747	0	(15,470)	108,277	15,470
0.00%	Water Plant Renovations - Phase I	178,809	0	(19,867)	158,942	19,867
0.00%	Water Treatment Plant Improvements - Phase II	191,027	0	(20,108)	170,919	20,108
0.00%	Water Treatment Plant Improvements - Phase III	250,000	0	(25,000)	225,000	25,000
0.00%	Water Treatment Plant Improvements - Phase IV	337,700	0	(30,700)	307,000	30,700
0.00%	Water Treatment Plant Improvements - Phase V	50,404	0	(4,201)	46,203	4,201
0.00%	South Shore Park Waterline - Phase II	43,193	0	(3,200)	39,993	3,200
0.00%	Elevated Storage Tank	393,750	0	(22,500)	371,250	22,500
0.00%	Sanitary Sewer Rehabilitation	170,000	0	(10,000)	160,000	10,000
0.00%	Sanitary Sewer Rehabilitation	438,750	0	(22,500)	416,250	22,500
0.00%	Eastwyck Sanitary Pump Station	120,868	0	(9,670)	111,198	9,670
0.00%	Wastewater Treatment Plant Phase I	0	359,954	0	359,954	0
	Total Ohio Public Works Commission Loans	2,298,248	359,954	(183,216)	2,474,986	183,216
Ohio Water Development Authority Loans:						
2.20%	North Oregon Sewer (SRFA)	36,332	0	(36,332)	0	0
4.80%	North Oregon Sewer (SRFB)	38,055	0	(38,055)	0	0
3.80%	Seaman Road Trunk Sewer - Phase I	755,466	0	(82,469)	672,997	85,633
3.95%	Seaman Road Trunk Sewer - Phase II	1,318,553	0	(116,872)	1,201,681	121,534
3.50%	Stadium Road Sewer	1,886,069	0	(151,501)	1,734,568	156,849
3.35%	Pickle Road Sewer	1,615,697	0	(117,299)	1,498,398	121,262
4.28%	Waterplant Renovation - Phase I & II	4,998,273	0	(536,187)	4,462,086	559,382
3.65%	Waterplant Renovation - Phase III	1,194,133	0	(100,930)	1,093,203	104,648
3.52%	Elevated Storage Tank	3,711,989	0	(174,129)	3,537,860	180,313
2.64%	Elevated Storage Tank	1,449,390	5,289	(62,368)	1,392,311	64,128
3.25%	Coy Road Sewer	376,461	0	(23,693)	352,768	24,469
3.37%	Phase II Sanitary Sewer Rehab	0	5,585,273	0	5,585,273	0
	Total Ohio Water Development Authority Loans	17,380,418	5,590,562	(1,439,835)	21,531,145	1,418,218
Compensated Absences		749,009	775,657	(749,009)	775,657	245,158
Total Business-Type Activities Long-Term Debt		\$21,541,971	\$6,726,173	(\$2,610,634)	\$25,657,510	\$2,066,592

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 14 - LONG-TERM DEBT (Continued)

A. Special Assessments

The principal amount of the City's special assessment debt outstanding at December 31, 2014 of \$75,000, 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 \$307,919 in the Special Assessment Bond Retirement Fund at December 31, 2014 is restricted for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$95,295.

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, 2014 was \$45,101 in principal and \$22,859 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt. This is paid out of the General Fund.

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, 2014, follows:

Years	<u>Governmental Activities</u>					
	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$453,530	\$161,246	\$24,000	\$3,938	\$23,362	\$742
2016	398,805	145,576	25,000	2,678	0	0
2017	375,000	133,988	26,000	1,365	0	0
2018	335,000	122,738	0	0	0	0
2019	325,000	112,688	0	0	0	0
2020-2024	1,750,000	463,340	0	0	0	0
2025-2029	2,065,000	263,528	0	0	0	0
2030-2032	825,000	37,306	0	0	0	0
Totals	<u>\$6,527,335</u>	<u>\$1,440,410</u>	<u>\$75,000</u>	<u>\$7,981</u>	<u>\$23,362</u>	<u>\$742</u>

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 14 - LONG-TERM DEBT (Continued)

D. Principal and Interest Requirements (Continued)

Governmental Activities

Years	Police/Firemen's Pension		
	OPWC Loans	Accrued Liability	
	Principal	Principal	Interest
2015	\$58,942	\$1,421	\$1,902
2016	58,942	1,482	1,841
2017	58,942	1,545	1,777
2018	58,942	1,612	1,711
2019	58,942	1,681	1,642
2020-2024	294,710	9,551	7,061
2025-2029	294,710	11,775	4,825
2030-2034	193,434	14,534	2,066
2035	0	1,500	34
Totals	<u>\$1,077,564</u>	<u>\$45,101</u>	<u>\$22,859</u>

Business-Type Activities

Years	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$220,000	\$24,600	\$1,418,218	\$579,548	\$183,216	\$0
2016	220,000	18,000	1,472,945	524,820	183,214	0
2017	190,000	11,400	1,529,814	467,952	183,214	0
2018	190,000	5,700	1,588,908	408,857	183,214	0
2019	0	0	1,650,317	347,449	183,214	0
2020-2024	0	0	6,055,474	866,597	774,767	0
2025-2029	0	0	1,975,772	229,555	301,704	0
2030-2033	0	0	254,424	9,222	122,489	0
Totals	<u>\$820,000</u>	<u>\$59,700</u>	<u>\$15,945,872</u>	<u>\$3,434,000</u>	<u>\$2,115,032</u>	<u>\$0</u>

The City has been approved for various Ohio Water Development Authority (OWDA) and Ohio Public Works Commission loans. Because not all of these projects are complete and the final value of all of the loans are indeterminate, only the amortization of closed loans are presented above.

E. Refunded General Obligation Debt

On August 23, 2012, the City refunded \$1,475,000 of outstanding Sewer bonds (the "1998 Bonds") with an interest rate of 3.25% with a portion of the \$8,225,000 refunding bonds issued in August 2012. The entire principal amount of the 1998 bonds was paid off during 2012. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$161,767 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$153,490.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 15 - CAPITAL LEASE

The City leases equipment under a capital lease. The original cost of the equipment was \$149,975 and the related liability is reported in the Government-Wide Statement of Net Position.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2014:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2015	\$32,696
2016	<u>32,696</u>
Minimum Lease Payments	65,392
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(2,626)</u>
Present value of minimum lease payments	<u><u>\$62,766</u></u>

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2014, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
WWTP Secondary Treatment Imp - Ph 1	\$2,146,113	June 2015
Coy & Dustin Intersection Improvements	613,556	June 2015
Isaac Streets Drive Improvements	239,607	June 2015
Municipal Complex - Geothermal	2,888,136	December 2015
Navarre Ave Beautification	682,000	December 2015
Sanitary Sewer Rehab - Ph 3	3,165,000	June 2016
Cedar Point Road Relocation	5,657,588	December 2016
OCEC Raw Water Supply System	16,709,727	December 2016
Wynn Road Sanitary Trunk Sewer Project	1,650,000	December 2016
WWTP Secondary Treatment Imp - Ph 2	6,863,000	December 2017
Navarre Ave Safety Improvements	2,838,164	December 2017
WTP (HAB) Improvement (Ozone)	13,251,987	December 2017
WWTP Sludge Dewatering Facility	<u>3,288,243</u>	December 2017
Total	<u><u>\$59,993,121</u></u>	

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 17 - 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>
2012	\$0	\$26,848	(\$26,848)	\$0
2013	0	34,273	(33,673)	600
2014	600	31,609	(31,609)	600

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

NOTE 17 - INSURANCE AND RISK MANAGEMENT (Continued)

B. Workers' Compensation Internal Service Fund

The City is a participating member with the Ohio Municipal League 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 2014. Changes in the Workers' Compensation Internal Service Fund's claims liability for the past three years 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>
2012	\$120,736	\$209,511	(\$145,690)	\$184,557
2013	184,557	176,062	(195,671)	164,948
2014	164,948	93,317	(185,547)	72,718

NOTE 18 - CONTINGENCIES

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

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

NOTE 19 - CONDUIT DEBT OBLIGATION

The City issued mortgage revenue bonds to provide financial assistance to The Alcore Oregon LLC in order to promote and advance the development of residential rental housing in the City of Oregon. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2014, the mortgage revenue bonds had an outstanding balance payable of \$6,100,000.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council and
Members of the Audit Committee
City of Oregon, Ohio

The Honorable David Yost
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon, Lucas County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Oregon, Ohio's basic financial statements, and have issued our report thereon dated June 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Oregon, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Oregon, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Oregon, Ohio's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oregon, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Oregon, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oregon, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 8, 2015

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Members of City Council and
Members of the Audit Committee
City of Oregon, Ohio

The Honorable David Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Oregon, Lucas County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Oregon, Ohio's major federal program for the year ended December 31, 2014. The City of Oregon, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City of Oregon, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. 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 federal program occurred. An audit includes examining, on a test basis, evidence about the City of Oregon, Ohio'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 on compliance for its major federal program. However, our audit does not provide a legal determination of the City of Oregon, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Oregon, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the City of Oregon, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Oregon, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Oregon, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 8, 2015

**CITY OF OREGON
LUCAS COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grants/State's Program:			
Community Development Block Grants/State's Program	14.228	A-F-13-2DB-1	\$ 64,054
Community Development Block Grants/State's Program	14.228	A-F-14-2DB-1	<u>500</u>
<i>Total CFDA #14.228</i>			<u>64,554</u>
Total U.S. Department of Housing and Urban Development			<u>64,554</u>
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
Bullet Proof Vest Partnership Program	16.607	2014	<u>3,975</u>
Total U.S. Department of Justice			<u>3,975</u>
<u>U.S. Department of Transportation</u>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grant:			
- Lucas Stadium Road Bike Path Phase 2	20.205	PID90663	493
- Lucas - Wheeling Street Bridge	20.205	PID89254	507,331
- Lucas - Cuy Rd./Destin Road Intersection Improvement	20.205	PID95668	284,195
- Navarre Avenue Safety Project	20.205	PID96295	<u>60,152</u>
Total U.S. Department of Transportation			<u>852,171</u>
<u>U.S. Environmental Protection Agency - Office of Water</u>			
<i>Passed through Ohio Water Development Authority</i>			
Oregon Bioretention Facility Community Demonstration Project	66.469	12GLRI-LUCA-06	<u>103,229</u>
Total U.S. Environmental Protection Agency - Office of Water			<u>103,229</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,023,929</u>

See accompanying notes to the supplemental Schedule of Federal Awards.

**CITY OF OREGON
LUCAS COUNTY , OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE 2: MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE 3: PROGRAM INCOME

The City of Oregon, Ohio, uses federal funds received in the current and prior years to issue revolving loans. These loans are issued to a company and are to be repaid to the City in monthly installments. Principal received on these loans may be used to issue new loans. The principal outstanding at December 31, 2014 was \$131,504. The program income represents interest revenue earned from the revolving loans and bank accounts and repayments of loans of \$12,560. These amounts were subject to single audit procedures.

**CITY OF OREGON
LUCAS COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinions	Unmodified
2014(vi)	Are there any reportable audit findings under .510(a)?	No
2014(vii)	Major Programs (list):	
	Highway Planning and Construction Grant - CFDA #20.205	
2014(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2014(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CITY OF OREGON
LUCAS COUNTY , OHIO
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain.
2013-001	Internal Controls over Financial Reporting	No	Not corrected. Re-issued as a management comment.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.