

**CITY OF OREGON  
LUCAS COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Oregon, Lucas County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 22, 2013

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**CITY OF OREGON  
LUCAS COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

*Certified Public Accountants*

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Ohio Society of Certified Public Accountants

**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, 2012, 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 entity'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, 2012, and the respective changes in financial position, and where applicable, cash flows and the respective budgetary comparison for the General Fund, the Street Construction, Maintenance, and Repair Fund and Storm Sewer Project Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 5 to the financial statements, during 2012 the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***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*

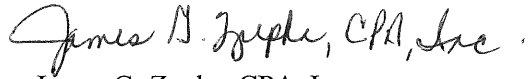
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oregon, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 3, 2013, 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 3, 2013

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# **CITY OF OREGON, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2012***

***Unaudited***

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The discussion and analysis of the City of Oregon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2012. 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 2012 are as follows:

- ❑ In total, net position increased \$16,289,272. Net position of governmental activities increased \$21,421,907, which represents a 32.3% increase from 2011. Net position of business-type activities decreased \$5,132,635 from 2011.
- ❑ General revenues accounted for \$37.3 million in revenue or 72.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for the remaining 27.2% of total revenues of \$51,262,942.
- ❑ The City had \$25.7 million in expenses related to governmental activities; only \$5.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$37.3 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$32.9 million in revenues and \$15.5 million in expenditures. The general fund's fund balance increased \$13,472,213 to \$39,631,280.
- ❑ Net position for enterprise funds decreased by \$5,101,369.

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

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

These statements are as follows:

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

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

# **CITY OF OREGON, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

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## **Government-wide Statements**

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The statement of net 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, 2012

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 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$66,812,769	\$50,855,977	\$11,659,003	\$9,557,056	\$78,471,772	\$60,413,033
Capital assets, Net	47,944,861	42,124,267	40,846,234	48,718,148	88,791,095	90,842,415
Total assets	114,757,630	92,980,244	52,505,237	58,275,204	167,262,867	151,255,448
Deferred Charge on Debt Refunding	0	0	42,870	0	42,870	0
Long-term debt outstanding	24,124,349	23,956,459	8,745,100	9,346,192	32,869,449	33,302,651
Other liabilities	1,895,523	2,855,321	264,264	257,634	2,159,787	3,112,955
Total liabilities	26,019,872	26,811,780	9,009,364	9,603,826	35,029,236	36,415,606
Property Tax Levy for Next Fiscal Year	1,147,387	0	0	0	1,147,387	0
Net position						
Net Investment in Capital Assets	26,850,666	20,624,080	32,897,676	40,002,655	59,748,342	60,626,735
Restricted	16,029,343	19,492,074	0	0	16,029,343	19,492,074
Unrestricted	44,710,362	26,052,310	10,641,067	8,668,723	55,351,429	34,721,033
Total net position	\$87,590,371	\$66,168,464	\$43,538,743	\$48,671,378	\$131,129,114	\$114,839,842

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# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2012

Unaudited

Changes in Net position – The following table shows the changes in net position for the fiscal year 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services and Sales	\$2,485,636	\$2,525,774	\$8,814,341	\$8,361,929	\$11,299,977	\$10,887,703
Operating Grants and Contributions	1,545,499	1,380,284	0	0	1,545,499	1,380,284
Capital Grants and Contributions	1,088,580	1,410,985	0	2,854,073	1,088,580	4,265,058
General Revenues:						
Property Taxes	1,282,353	1,450,821	0	0	1,282,353	1,450,821
Income Taxes	33,328,287	27,927,022	0	0	33,328,287	27,927,022
Shared Revenues	1,132,059	1,575,279	0	0	1,132,059	1,575,279
Investment Earnings	761,988	905,904	0	0	761,988	905,904
Miscellaneous	824,199	618,830	0	0	824,199	618,830
Total Revenues	<u>42,448,601</u>	<u>37,794,899</u>	<u>8,814,341</u>	<u>11,216,002</u>	<u>51,262,942</u>	<u>49,010,901</u>
Program Expenses						
Security of Persons and Property	10,672,795	10,250,066	0	0	10,672,795	10,250,066
Public Health and Welfare Services	475,272	431,052	0	0	475,272	431,052
Leisure Time Activities	1,012,219	861,070	0	0	1,012,219	861,070
Community Environment	1,214,502	1,040,571	0	0	1,214,502	1,040,571
Basic Utility Services	642,256	608,339	0	0	642,256	608,339
Transportation	5,404,000	7,466,485	0	0	5,404,000	7,466,485
General Government	5,592,626	5,182,463	0	0	5,592,626	5,182,463
Interest and Fiscal Charges	678,838	869,760	0	0	678,838	869,760
Water	0	0	4,083,390	4,830,463	4,083,390	4,830,463
Sewer	0	0	5,197,772	4,490,731	5,197,772	4,490,731
Total Expenses	<u>25,692,508</u>	<u>26,709,806</u>	<u>9,281,162</u>	<u>9,321,194</u>	<u>34,973,670</u>	<u>36,031,000</u>
Excess (Deficiency) Before Transfers	16,756,093	11,085,093	(466,821)	1,894,808	16,289,272	12,979,901
Transfers In (Out)	<u>4,665,814</u>	<u>(359,640)</u>	<u>(4,665,814)</u>	<u>359,640</u>	<u>0</u>	<u>0</u>
Total Change in Net Position	21,421,907	10,725,453	(5,132,635)	2,254,448	16,289,272	12,979,901
Beginning Net Position	<u>66,168,464</u>	<u>55,443,011</u>	<u>48,671,378</u>	<u>46,416,930</u>	<u>114,839,842</u>	<u>101,859,941</u>
Ending Net Position	<u>\$87,590,371</u>	<u>\$66,168,464</u>	<u>\$43,538,743</u>	<u>\$48,671,378</u>	<u>\$131,129,114</u>	<u>\$114,839,842</u>

### Governmental Activities

Net position of the City's governmental activities increased by \$21,421,907. This was due primarily to the increase in income tax revenue along with a decrease in total expenses of \$1,017,298 or 3.8%. In addition during 2012, a large amount of capital assets for the Big Ditch project were transferred from the business-type activities to the governmental activities. This transfer in turn contributed to the decrease in net position of the business-type activities.

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.

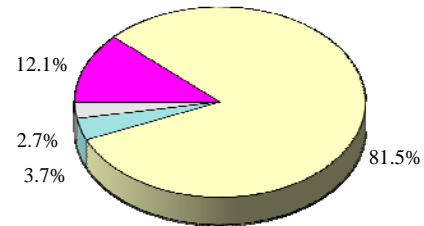
Property taxes and income taxes made up 3.0% and 78.5% respectively of revenues for governmental activities for the City in fiscal year 2012. The City's reliance upon tax revenues is demonstrated by the following graph indicating 81.5% of total revenues from general tax revenues:

# CITY OF OREGON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

*Unaudited*

Revenue Sources	2012	Percent of Total
General Shared Revenues	\$1,132,059	2.7%
Program Revenues	5,119,715	12.1%
General Tax Revenues	34,610,640	81.5%
General Other	1,586,187	3.7%
<b>Total Revenue</b>	<b>\$42,448,601</b>	<b>100.00%</b>



## Business-Type Activities

Net position of the business-type activities decreased by \$5,132,635. This decrease was due to the large transfer of capital assets for the Big Ditch project from the business-type activities to the governmental activities during 2012. There was also a large decrease in the grants received for construction projects along with a significant increase in sewer expenses compared to 2011.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$57,211,756, which is an increase from last year's balance of \$40,557,965. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2012 and 2011:

	Fund Balance December 31, 2012	Fund Balance December 31, 2011	Increase (Decrease)
General	\$39,631,280	\$26,159,067	\$13,472,213
Street Construction, Maintenance			
Maintenance and Repair	861,551	640,504	221,047
Storm Sewer Project	2,231,207	1,915,503	315,704
Special Assessment Bond			
Retirement	16	10,912	(10,896)
Other Governmental	14,487,702	11,831,979	2,655,723
<b>Total</b>	<b>\$57,211,756</b>	<b>\$40,557,965</b>	<b>\$16,653,791</b>

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:

# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2012

Unaudited

	2012 Revenues	2011 Revenues	Increase (Decrease)
Taxes	\$28,465,067	\$24,028,030	\$4,437,037
Intergovernmental Revenue	887,867	1,329,531	(441,664)
Charges for Services	1,989,431	1,515,710	473,721
Fines, Licenses and Permits	560,505	564,839	(4,334)
Investment Earnings	709,756	1,007,394	(297,638)
Special Assessments	7,382	7,466	(84)
All Other Revenue	239,654	143,688	95,966
Total	<u>\$32,859,662</u>	<u>\$28,596,658</u>	<u>\$4,263,004</u>

General Fund revenues in 2012 increased approximately 14.9% compared to revenues in fiscal year 2011. The most significant factor contributing to this increase was an increase in income tax revenue.

	2012 Expenditures	2011 Expenditures	Increase (Decrease)
Security of Persons and Property	\$8,300,868	\$8,257,168	\$43,700
Public Health and Welfare Services	401,820	371,279	30,541
Leisure Time Activities	7,100	6,965	135
Community Environment	567,562	625,347	(57,785)
Transportation	2,179,100	2,402,774	(223,674)
General Government	4,019,868	3,553,283	466,585
Debt Service:			
Principal Retirement	28,870	0	28,870
Interest and Fiscal Charges	2,218	0	2,218
Total	<u>\$15,507,406</u>	<u>\$15,216,816</u>	<u>\$290,590</u>

General Fund expenditures increased by \$290,590 or 1.9% compared to the prior year mostly due to reductions in the workforce and other reductions in expenditures.

### 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 2012 the City amended its General Fund budget several times.

For the General Fund, final budget basis revenue of \$17.8 million changed from the original budget estimates of \$18 million. The General Fund had an adequate fund balance to cover expenditures.

### CHANGE IN FUND BALANCES

The decrease in fund balance for the Special Assessment Bond Retirement Fund can be attributed to the decrease in funds transferred to the fund during the year.



# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2012

Unaudited

The increase in fund balance for the Street Construction, Maintenance and Repair Fund can be attributed to the large decrease in street maintenance costs during 2012 compared to 2011. Additional funds for street maintenance were budgeted in CIP.

The increase in fund balance for the Storm Sewer Project fund was largely related to the increase in income tax revenues for the fund.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2012 the City had \$88,791,095 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment, vehicles and construction in progress. Of this total, \$47,944,861 was related to governmental activities and \$40,846,234 to business-type activities. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land and Land Improvements	\$7,923,192	\$7,775,087	\$148,105
Construction in Progress	5,695,477	5,561,361	134,116
Buildings and Improvements	7,798,917	7,771,167	27,750
Machinery and Equipment	4,035,367	4,077,505	(42,138)
Vehicles	6,591,328	6,708,638	(117,310)
Infrastructure	54,558,177	47,330,979	7,227,198
Less: Accumulated Depreciation	(38,657,597)	(37,100,470)	(1,557,127)
Totals	<u>\$47,944,861</u>	<u>\$42,124,267</u>	<u>\$5,820,594</u>

	Business-Type Activities		Increase (Decrease)
	2012	2011	
Land	\$756,016	\$756,016	\$0
Construction in Progress	59,637	6,058,735	(5,999,098)
Buildings and Distribution	84,533,397	84,538,731	(5,334)
Machinery and Equipment	15,793,435	14,848,512	944,923
Vehicles	883,347	883,347	0
Less: Accumulated Depreciation	(61,179,598)	(58,367,193)	(2,812,405)
Totals	<u>\$40,846,234</u>	<u>\$48,718,148</u>	<u>(\$7,871,914)</u>

The primary increases occurred in infrastructure for the Governmental Activities. This was due to the planning and construction expenses for the Big Ditch and Wheeling Street Projects, totaling \$5.3 million and \$4.1 million dollars respectively. The largest decrease in the Business-Type Activities occurred in construction in progress where certain capital assets for the Big Ditch Project were transferred from the business-type activities to the governmental activities capital assets.

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

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2012***

***Unaudited***

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As of December 31, 2012, the City has contractual commitments of \$24,589,855, as listed in Note 17, for various projects. Included in these projects are the street improvements, water and sanitary sewer trunk lines and intersection improvements. Additional information on the City's capital assets can be found in Note 10.

#### ***Debt***

At December 31, 2012, the City had \$9.0 million in bonds outstanding, \$619,414 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bonds	\$7,519,700	\$482,743
Special Assessment Bonds	119,000	139,000
Promissory Note	67,260	87,872
OWDA Loans Payable	11,153,736	11,075,246
OPWC Loans Payable	2,390,080	2,510,326
Long-Term Notes Payable	0	7,005,000
Pension Liability	47,769	49,021
Workers Compensation Liability	184,557	120,736
Capital Lease Payable	121,105	0
Compensated Absences	2,521,142	2,486,515
Total Governmental Activities	<u>24,124,349</u>	<u>23,956,459</u>
Business-Type Activities:		
General Obligation Bonds	\$1,337,870	\$1,475,000
OWDA Loans Payable	6,573,020	7,100,285
OPWC Loans Payable	130,538	140,208
Compensated Absences	703,672	630,699
Total Business-Type Activities	<u>8,745,100</u>	<u>9,346,192</u>
Totals	<u><u>\$32,869,449</u></u>	<u><u>\$33,302,651</u></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, 2012, 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***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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## **ECONOMIC FACTORS**

The City's original budget for 2012 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 2011. This was due to uncertainty in the amount of actual municipal income taxes to be collected because of uncertain economic conditions.

General Fund expenditures were originally budgeted at 1% more than 2012 actual expenditures. No additional personnel were added in the final approved budget. Department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

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

## **REQUESTS FOR INFORMATION**

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

# CITY OF OREGON, OHIO

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## Statement of Net Position December 31, 2012

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 11,692,243	\$ 788,631	\$ 12,480,874
Investments	44,040,082	9,110,127	53,150,209
Receivables:			
Taxes	4,028,970	0	4,028,970
Accounts	145,829	1,096,148	1,241,977
Intergovernmental	1,979,187	0	1,979,187
Interest	320,103	0	320,103
Special Assessments	4,025,936	0	4,025,936
Loans	156,253	0	156,253
Internal Balances	(179,618)	179,618	0
Inventory of Supplies at Cost	472,473	413,766	886,239
Prepaid Items	131,311	70,713	202,024
Capital Assets:			
Capital Assets Not Being Depreciated	10,349,285	815,653	11,164,938
Capital Assets Being Depreciated, Net	37,595,576	40,030,581	77,626,157
<b>Total Assets</b>	<b>114,757,630</b>	<b>52,505,237</b>	<b>167,262,867</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Debt Refunding	0	42,870	42,870
<b>Liabilities:</b>			
Accounts Payable	757,150	55,791	812,941
Accrued Wages and Benefits	1,084,263	204,731	1,288,994
Intergovernmental Payable	30,597	0	30,597
Accrued Interest Payable	23,513	3,742	27,255
Noncurrent liabilities:			
Due within one year	2,265,706	1,001,553	3,267,259
Due in more than one year	21,858,643	7,743,547	29,602,190
<b>Total Liabilities</b>	<b>26,019,872</b>	<b>9,009,364</b>	<b>35,029,236</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	1,147,387	0	1,147,387

**CITY OF OREGON, OHIO**

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	26,850,666	32,897,676	59,748,342
Restricted For:			
Capital Projects	1,767,379	0	1,767,379
Debt Service	2,511,069	0	2,511,069
Street Construction, Maintenance and Repair	1,129,755	0	1,129,755
Court Special Projects	311,776	0	311,776
Housing Assistance	178,932	0	178,932
Solid Waste	4,789,582	0	4,789,582
Storm Sewer Project	2,260,282	0	2,260,282
Street Lighting	929,720	0	929,720
Perpetual Care:			
Nonexpendable	84,023	0	84,023
Other Purposes	2,066,825	0	2,066,825
Unrestricted	44,710,362	10,641,067	55,351,429
<b>Total Net Position</b>	<b>\$ 87,590,371</b>	<b>\$ 43,538,743</b>	<b>\$ 131,129,114</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Activities For the Year Ended December 31, 2012

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 10,672,795	\$ 408,112	\$ 162,865	\$ 383,734
Public Health and Welfare Services	475,272	66,201	0	0
Leisure Time Activities	1,012,219	258,826	0	32,122
Community Environment	1,214,502	188,546	375,530	0
Basic Utility Services	642,256	0	0	672,724
Transportation	5,404,000	54,854	1,007,104	0
General Government	5,592,626	1,509,097	0	0
Interest and Fiscal Charges	678,838	0	0	0
<b>Total Governmental Activities</b>	<u>25,692,508</u>	<u>2,485,636</u>	<u>1,545,499</u>	<u>1,088,580</u>
<b>Business-Type Activities:</b>				
Water	4,083,390	4,770,732	0	0
Sewer	5,197,772	4,043,609	0	0
<b>Total Business-Type Activities</b>	<u>9,281,162</u>	<u>8,814,341</u>	<u>0</u>	<u>0</u>
<b>Totals</b>	<u>\$ 34,973,670</u>	<u>\$ 11,299,977</u>	<u>\$ 1,545,499</u>	<u>\$ 1,088,580</u>

### 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**

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

Governmental Activities	Business-Type Activities	Total
\$ (9,718,084)	\$ 0	\$ (9,718,084)
(409,071)	0	(409,071)
(721,271)	0	(721,271)
(650,426)	0	(650,426)
30,468	0	30,468
(4,342,042)	0	(4,342,042)
(4,083,529)	0	(4,083,529)
(678,838)	0	(678,838)
<u>(20,572,793)</u>	<u>0</u>	<u>(20,572,793)</u>
0	687,342	687,342
0	(1,154,163)	(1,154,163)
0	(466,821)	(466,821)
<u>(20,572,793)</u>	<u>(466,821)</u>	<u>(21,039,614)</u>
1,282,353	0	1,282,353
33,328,287	0	33,328,287
1,132,059	0	1,132,059
761,988	0	761,988
824,199	0	824,199
4,665,814	(4,665,814)	0
<u>41,994,700</u>	<u>(4,665,814)</u>	<u>37,328,886</u>
21,421,907	(5,132,635)	16,289,272
66,168,464	48,671,378	114,839,842
<u>\$ 87,590,371</u>	<u>\$ 43,538,743</u>	<u>\$ 131,129,114</u>

# CITY OF OREGON, OHIO

## Balance Sheet Governmental Funds December 31, 2012

	General	Street Construction, Maintenance and Repair	Storm Sewer Project
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,001,392	\$ 58,950	\$ 171,162
Investments	34,795,355	680,986	1,977,231
Receivables:			
Taxes	3,148,573	0	151,829
Accounts	121,003	0	2,210
Intergovernmental	280,149	396,709	0
Interest	319,627	0	0
Special Assessments	38,671	0	0
Loans	0	0	0
Inventory of Supplies, at Cost	472,473	0	0
Prepaid Items	116,467	6,734	0
<b>Total Assets</b>	<b>\$ 42,293,710</b>	<b>\$ 1,143,379</b>	<b>\$ 2,302,432</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 66,244	\$ 9,624	\$ 37,214
Accrued Wages and Benefits Payable	966,297	4,000	4,936
Intergovernmental Payable	30,597	0	0
<b>Total Liabilities</b>	<b>1,063,138</b>	<b>13,624</b>	<b>42,150</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	820,376	268,204	29,075
Property Tax for Next Fiscal Year	778,916	0	0
<b>Total Deferred Inflows of Resources</b>	<b>1,599,292</b>	<b>268,204</b>	<b>29,075</b>
<b>Fund Balances:</b>			
Nonspendable	588,940	6,734	0
Restricted	0	854,817	2,231,207
Committed	681,375	0	0
Assigned	1,447,313	0	0
Unassigned	36,913,652	0	0
<b>Total Fund Balances</b>	<b>39,631,280</b>	<b>861,551</b>	<b>2,231,207</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 42,293,710</b>	<b>\$ 1,143,379</b>	<b>\$ 2,302,432</b>

See accompanying notes to the basic financial statements



**CITY OF OREGON, OHIO**

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Special Assessment Bond Retirement	Other Governmental Funds	Total Governmental Funds
\$ 16	\$ 7,748,922	\$ 10,980,442
0	5,975,170	43,428,742
0	728,568	4,028,970
0	22,616	145,829
0	1,302,329	1,979,187
0	476	320,103
2,454,038	1,533,227	4,025,936
0	156,253	156,253
0	0	472,473
0	3,785	126,986
<u>\$ 2,454,054</u>	<u>\$ 17,471,346</u>	<u>\$ 65,664,921</u>
\$ 0	\$ 644,068	\$ 757,150
0	109,030	1,084,263
0	0	30,597
<u>0</u>	<u>753,098</u>	<u>1,872,010</u>
2,454,038	1,862,075	5,433,768
0	368,471	1,147,387
<u>2,454,038</u>	<u>2,230,546</u>	<u>6,581,155</u>
0	87,808	683,482
16	8,438,782	11,524,822
0	5,978,476	6,659,851
0	0	1,447,313
0	(17,364)	36,896,288
<u>16</u>	<u>14,487,702</u>	<u>57,211,756</u>
<u>\$ 2,454,054</u>	<u>\$ 17,471,346</u>	<u>\$ 65,664,921</u>

# CITY OF OREGON, OHIO

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## *Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2012*

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<b>Total Governmental Fund Balances</b>	\$ 57,211,756
<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.	47,944,861
Other long-term assets are not available to pay for current- period expenditures and therefore are unavailable revenues in the funds.	5,433,768
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.	963,291
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(23,963,305)</u>
<b><i>Net Position of Governmental Activities</i></b>	<b><u>\$ 87,590,371</u></b>

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, 2012

	General	Street Construction, Maintenance and Repair	Storm Sewer Project
<b>Revenues:</b>			
Property Taxes	\$ 732,180	\$ 0	\$ 0
Municipal Income Taxes	27,732,887	0	1,861,061
Intergovernmental Revenues	887,867	858,337	0
Charges for Services	1,989,431	43,191	0
Licenses, Permits and Fees	171,291	0	0
Investment Earnings	709,756	1,949	0
Special Assessments	7,382	0	0
Fines and Forfeitures	389,214	0	0
All Other Revenue	239,654	0	0
<b>Total Revenue</b>	<b>32,859,662</b>	<b>903,477</b>	<b>1,861,061</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	8,300,868	0	0
Public Health and Welfare Services	401,820	0	0
Leisure Time Activities	7,100	0	0
Community Environment	567,562	0	0
Basic Utility Services	0	0	348,448
Transportation	2,179,100	699,612	0
General Government	4,019,868	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	28,870	3,980,000	3,025,000
Interest & Fiscal Charges	2,218	48,663	34,927
<b>Total Expenditures</b>	<b>15,507,406</b>	<b>4,728,275</b>	<b>3,408,375</b>
Excess (Deficiency) of Revenues Over Expenditures	17,352,256	(3,824,798)	(1,547,314)
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	16,912	0	0
General Obligation Bonds Issued	0	3,950,000	3,030,000
Premiums on Bonds Issued	0	95,845	59,737
OPWC Loans Issued	0	0	0
OWDA Loans Issued	0	0	0
Other Financing Sources - Capital Leases	149,975	0	0
Transfers In	6,000	0	0
Transfers Out	(4,110,089)	0	(1,226,719)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,937,202)</b>	<b>4,045,845</b>	<b>1,863,018</b>
Net Change in Fund Balances	13,415,054	221,047	315,704
<b>Fund Balances at Beginning of Year</b>	<b>26,159,067</b>	<b>640,504</b>	<b>1,915,503</b>
Increase in Inventory Reserve	57,159	0	0
<b>Fund Balances End of Year</b>	<b>\$ 39,631,280</b>	<b>\$ 861,551</b>	<b>\$ 2,231,207</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

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Special Assessment Bond Retirement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 636,631	\$ 1,368,811
0	3,726,338	33,320,286
0	1,904,747	3,650,951
0	286,146	2,318,768
0	0	171,291
0	26,329	738,034
188,997	560,075	756,454
0	179,113	568,327
0	214,204	453,858
<u>188,997</u>	<u>7,533,583</u>	<u>43,346,780</u>
0	1,948,285	10,249,153
0	37,085	438,905
0	712,431	719,531
0	651,064	1,218,626
0	293,808	642,256
0	162,798	3,041,510
0	1,245,051	5,264,919
0	3,137,004	3,137,004
716,642	296,998	8,047,510
560,382	26,714	672,904
<u>1,277,024</u>	<u>8,511,238</u>	<u>33,432,318</u>
(1,088,027)	(977,655)	9,914,462
0	62	16,974
0	0	6,980,000
0	0	155,582
0	57,515	57,515
0	775,132	775,132
0	0	149,975
1,077,131	5,156,030	6,239,161
0	(2,355,361)	(7,692,169)
<u>1,077,131</u>	<u>3,633,378</u>	<u>6,682,170</u>
(10,896)	2,655,723	16,596,632
10,912	11,831,979	40,557,965
0	0	57,159
<u>\$ 16</u>	<u>\$ 14,487,702</u>	<u>\$ 57,211,756</u>

# CITY OF OREGON, OHIO

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## ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended December 31, 2012***

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 16,596,632</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(278,531)
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.	(19,697)
Transfer of capital assets from Business-Type Activities to Governmental Activities	6,118,822
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(915,153)
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.	(69,442)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(5,934)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	22,532
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.	<u>(27,322)</u>
<b><i>Change in Net Position of Governmental Activities</i></b>	<b><u>\$ 21,421,907</u></b>

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 831,100	\$ 831,100	\$ 732,180	\$ (98,920)
Municipal Income Taxes	13,693,266	13,658,466	28,825,718	15,167,252
Intergovernmental Revenue	826,523	826,523	1,122,510	295,987
Charges for Services	1,398,710	1,280,844	1,949,417	668,573
Licenses, Permits and Fees	185,000	185,000	171,511	(13,489)
Investment Earnings	510,000	510,000	793,719	283,719
Special Assessments	9,800	9,800	7,382	(2,418)
Fines and Forfeitures	443,700	443,700	392,890	(50,810)
All Other Revenues	102,500	102,500	241,745	139,245
<b>Total Revenues</b>	<b>18,000,599</b>	<b>17,847,933</b>	<b>34,237,072</b>	<b>16,389,139</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	8,125,672	8,651,437	8,465,840	185,597
Public Health and Welfare Services	465,470	481,614	416,035	65,579
Leisure Time Activities	7,100	7,100	7,100	0
Community Environment	604,984	605,429	571,562	33,867
Transportation	2,621,485	2,684,818	2,259,816	425,002
General Government	3,647,698	4,262,208	3,942,194	320,014
Debt Service:				
Principal Retirement	0	28,880	28,870	10
Interest and Fiscal Charges	0	5,100	5,099	1
<b>Total Expenditures</b>	<b>15,472,409</b>	<b>16,726,586</b>	<b>15,696,516</b>	<b>1,030,070</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,528,190	1,121,347	18,540,556	17,419,209
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,000	1,000	16,912	15,912
Transfers In	0	0	6,000	6,000
Transfers Out	(3,334,626)	(4,171,626)	(4,111,589)	60,037
<b>Total Other Financing Sources (Uses):</b>	<b>(3,333,626)</b>	<b>(4,170,626)</b>	<b>(4,088,677)</b>	<b>81,949</b>
Net Change In Fund Balance	(805,436)	(3,049,279)	14,451,879	17,501,158
Fund Balance at Beginning of Year	22,454,665	22,454,665	22,454,665	0
Prior Year Encumbrances	372,005	372,005	372,005	0
<b>Fund Balance at End of Year</b>	<b>\$ 22,021,234</b>	<b>\$ 19,777,391</b>	<b>\$ 37,278,549</b>	<b>\$ 17,501,158</b>

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) Street Construction, Maintenance and Repair Fund For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental Revenue	\$ 781,000	\$ 781,000	\$ 870,186	\$ 89,186
Charges for Services	20,000	20,000	43,191	23,191
Investment Earnings	500	500	1,949	1,449
Total Revenues	801,500	801,500	915,326	113,826
<b>Expenditures:</b>				
Current:				
Transportation	950,460	996,637	793,399	203,238
Debt Service:				
Principal Retirement	3,980,000	3,980,000	3,980,000	0
Interest and Fiscal Charges	27,422	27,423	27,422	1
Total Expenditures	4,957,882	5,004,060	4,800,821	203,239
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,156,382)	(4,202,560)	(3,885,495)	317,065
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issued	4,034,500	4,034,500	4,024,604	(9,896)
Total Other Financing Sources (Uses):	4,034,500	4,034,500	4,024,604	(9,896)
Net Change In Fund Balance	(121,882)	(168,060)	139,109	307,169
Fund Balance at Beginning of Year	483,634	483,634	483,634	0
Prior Year Encumbrances	69,026	69,026	69,026	0
Fund Balance at End of Year	\$ 430,778	\$ 384,600	\$ 691,769	\$ 307,169

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)  
Storm Sewer Project Fund  
For the Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Municipal Income Taxes	\$ 947,011	\$ 947,011	\$ 1,936,073	\$ 989,062
Total Revenues	<u>947,011</u>	<u>947,011</u>	<u>1,936,073</u>	<u>989,062</u>
<b>Expenditures:</b>				
Current:				
Basic Utility Services	483,848	529,442	386,671	142,771
Debt Service:				
Principal Retirement	3,025,000	3,025,000	3,025,000	0
Interest and Fiscal Charges	20,842	20,842	20,842	0
Total Expenditures	<u>3,529,690</u>	<u>3,575,284</u>	<u>3,432,513</u>	<u>142,771</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,582,679)	(2,628,273)	(1,496,440)	1,131,833
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issued	3,030,000	3,030,000	3,030,000	0
Premiums on Bonds Issued	37,700	37,700	43,442	5,742
Transfers Out	(1,226,719)	(1,226,719)	(1,226,719)	0
Total Other Financing Sources (Uses):	<u>1,840,981</u>	<u>1,840,981</u>	<u>1,846,723</u>	<u>5,742</u>
Net Change In Fund Balance	(741,698)	(787,292)	350,283	1,137,575
Fund Balance at Beginning of Year	1,673,937	1,673,937	1,673,937	0
Prior Year Encumbrances	50,531	50,531	50,531	0
Fund Balance at End of Year	<u>\$ 982,770</u>	<u>\$ 937,176</u>	<u>\$ 2,074,751</u>	<u>\$ 1,137,575</u>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Net Position Proprietary Funds December 31, 2012

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water	Sewer	Total	
<b>ASSETS</b>				
Current assets:				
Cash and Cash Equivalents	\$ 366,461	\$ 422,170	\$ 788,631	\$ 711,801
Investments	4,233,289	4,876,838	9,110,127	611,340
Accounts receivable (net of allow for uncollectibles)	565,971	530,177	1,096,148	0
Inventory of Supplies at Cost	407,612	6,154	413,766	0
Prepaid Items	39,729	30,984	70,713	4,325
Total current assets	5,613,062	5,866,323	11,479,385	1,327,466
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	40,132,695	61,833,500	101,966,195	0
Construction in Progress	17,337	42,300	59,637	0
Less accumulated depreciation	(20,912,068)	(40,267,530)	(61,179,598)	0
Total noncurrent assets	19,237,964	21,608,270	40,846,234	0
Total assets	24,851,026	27,474,593	52,325,619	1,327,466
<b>Deferred Outflows of Resources:</b>				
Deferred Charge on Debt Refunding	0	42,870	42,870	0
<b>LIABILITIES</b>				
Current liabilities:				
Accounts Payable	49,748	6,043	55,791	0
Accrued Wages and Benefits	114,315	90,416	204,731	0
Accrued Interest Payable	0	3,742	3,742	0
Compensated Absences Payable - Current	147,318	93,358	240,676	0
General Obligation Bonds Payable - Current	0	205,000	205,000	0
OWDA Loans Payable - Current	0	546,207	546,207	0
OPWC Loans Payable - Current	0	9,670	9,670	0
Total Current Liabilities	311,381	954,436	1,265,817	0
Noncurrent Liabilities:				
Workers Compensation Liability	0	0	0	184,557
General Obligation Bonds Payable	0	1,132,870	1,132,870	0
OWDA Loans Payable	0	6,026,813	6,026,813	0
OPWC Loans Payable	0	120,868	120,868	0
Compensated Absences Payable	234,353	228,643	462,996	0
Total noncurrent liabilities	234,353	7,509,194	7,743,547	184,557
<b>Total Liabilities</b>	545,734	8,463,630	9,009,364	184,557

**CITY OF OREGON, OHIO**

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	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>NET POSITION</b>				
Net Investment in Capital Assets	19,237,964	13,659,712	32,897,676	0
Unrestricted	<u>5,067,328</u>	<u>5,394,121</u>	<u>10,461,449</u>	<u>1,142,909</u>
Total Net Position	<u>\$ 24,305,292</u>	<u>\$ 19,053,833</u>	<u>43,359,125</u>	<u>\$ 1,142,909</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			<u>179,618</u>	
Net Position of Business-type Activities			<u>\$ 43,538,743</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, 2012

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>Operating Revenues:</b>				
Charges for Services	\$ 4,765,519	\$ 4,031,990	\$ 8,797,509	\$ 55,198
Other Charges for Services	1,488	0	1,488	0
Other Operating Revenues	3,725	23,478	27,203	139,968
<b>Total Operating Revenues</b>	<u>4,770,732</u>	<u>4,055,468</u>	<u>8,826,200</u>	<u>195,166</u>
<b>Operating Expenses:</b>				
Personal Services	1,954,623	1,800,576	3,755,199	253,754
Contractual Services	83,097	794,919	878,016	0
Materials and Supplies	768,160	92,880	861,040	0
Utilities	335,115	420,550	755,665	0
Depreciation	914,044	1,899,498	2,813,542	0
<b>Total Operating Expenses</b>	<u>4,055,039</u>	<u>5,008,423</u>	<u>9,063,462</u>	<u>253,754</u>
<b>Operating Income (Loss)</b>	715,693	(952,955)	(237,262)	(58,588)
<b>Non-Operating Revenue (Expenses):</b>				
Interest and Fiscal Charges	0	(186,434)	(186,434)	0
Sale of Capital Assets	0	(11,859)	(11,859)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<u>0</u>	<u>(198,293)</u>	<u>(198,293)</u>	<u>0</u>
<b>Income (Loss) Before Transfers</b>	715,693	(1,151,248)	(435,555)	(58,588)
Transfers In	0	1,603,008	1,603,008	0
Transfers Out	(6,118,822)	(150,000)	(6,268,822)	0
<b>Change in Net Position</b>	(5,403,129)	301,760	(5,101,369)	(58,588)
Net Position Beginning of Year	29,708,421	18,752,073	48,460,494	1,201,497
<b>Net Position End of Year</b>	<u>\$ 24,305,292</u>	<u>\$ 19,053,833</u>	<u>43,359,125</u>	<u>\$ 1,142,909</u>
Change in Net Position - Total Enterprise Funds			(5,101,369)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(31,266)	
Change in Net Position - Business-type Activities			<u>\$ (5,132,635)</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, 2012

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$4,874,444	\$4,245,333	\$9,119,777	\$195,166
Cash Payments for Goods and Services	(1,065,433)	(1,310,340)	(2,375,773)	0
Cash Payments to Employees	(1,893,608)	(1,777,734)	(3,671,342)	(189,933)
Net Cash Provided Operating Activities	1,915,403	1,157,259	3,072,662	5,233
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	0	1,603,008	1,603,008	0
Transfers Out to Other Funds	0	(150,000)	(150,000)	0
Net Cash Provided by Noncapital Financing Activities	0	1,453,008	1,453,008	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(983,730)	(80,834)	(1,064,564)	0
Principal Paid on General Obligation Bonds	0	(180,000)	(180,000)	0
Premium on Bonds	0	92,870	92,870	0
Payment to Refunding Bond Escrow Agent	0	(1,295,000)	(1,295,000)	0
General Obligation Bonds Issued	0	1,245,000	1,245,000	0
Principal Paid on				
Ohio Water Development Authority Loans	0	(527,265)	(527,265)	0
Principal Paid on				
Ohio Public Works Commission Loan	0	(9,670)	(9,670)	0
Interest Paid on All Debt	0	(229,557)	(229,557)	0
Net Cash Used for Capital and Related Financing Activities	(983,730)	(984,456)	(1,968,186)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	0	0	20,719
Purchase of Investments	(772,846)	(1,411,565)	(2,184,411)	0
Net Cash Provided (Used) for Investing Activities	(772,846)	(1,411,565)	(2,184,411)	20,719
Net Increase in Cash and Cash Equivalents	158,827	214,246	373,073	25,952
Cash and Cash Equivalents at Beginning of Year	207,634	207,924	415,558	685,849
Cash and Cash Equivalents at End of Year	\$366,461	\$422,170	\$788,631	\$711,801

# CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Sewer	Totals	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided for Operating Activities:</u>				
Operating Income (Loss)	\$715,693	(\$952,955)	(\$237,262)	(\$58,588)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided for Operating Activities:				
Depreciation Expense	914,044	1,899,498	2,813,542	0
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	103,712	189,865	293,577	0
Decrease in Inventory	137,053	1,032	138,085	0
Increase in Prepaid Items	(5,525)	(1,866)	(7,391)	0
Decrease in Accounts Payable	(10,589)	(1,157)	(11,746)	0
Increase (Decrease) in Accrued Wages and Benefits	11,009	(125)	10,884	0
Increase in Workers' Compensation Liability	0	0	0	63,821
Increase in Compensated Absences	50,006	22,967	72,973	0
Total Adjustments	<u>1,199,710</u>	<u>2,110,214</u>	<u>3,309,924</u>	<u>63,821</u>
Net Cash Provided by Operating Activities	<u>\$1,915,403</u>	<u>\$1,157,259</u>	<u>\$3,072,662</u>	<u>\$5,233</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2012, the Water and the Sewer Funds had outstanding liabilities of \$4,375 and \$3,370, respectively, for the purchase of certain capital assets.

During 2012, net transfers were made from the Water Fund to the general capital assets in the amount of \$6,118,822.

See accompanying notes to the basic financial statements

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

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## ***Statement of Assets and Liabilities Fiduciary Funds December 31, 2012***

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 114,174
<b>Total Assets</b>	<u>\$ 114,174</u>
<b>Liabilities:</b>	
Intergovernmental Payable	81,902
Due to Others	<u>32,272</u>
<b>Total Liabilities</b>	<u>\$ 114,174</u>

See accompanying notes to the basic financial statements



# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

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

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2012 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

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

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

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

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

*Governmental Funds* - Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities 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.

Street Construction, Maintenance and Repair Fund – This fund is used to account for that portion of the state levied and controlled gasoline tax and motor vehicle license fees designated for local street construction, maintenance and repair.

Storm Sewer Project Fund – This fund is used to account for revenues received from various sources to be used for storm sewer projects within the City.

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

#### *Proprietary Funds*

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and 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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net 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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and 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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

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

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

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

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2012, but which are not intended to finance 2012 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**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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

#### **E. Deferred Inflows/Outflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then.

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, and state levied shared taxes. 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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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 2012.

#### **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 2012 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, Street Construction, Maintenance and Repair Fund and Storm Sewer Project 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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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 reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported 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, 2012

### 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 and the major special revenue fund:

	Net Change In Fund Balance		
	General Fund	Street Construction Maintenance and Repair Fund	Storm Sewer Project Fund
GAAP Basis (as reported)	\$13,415,054	\$221,047	\$315,704
Increase (Decrease):			
Accrued Revenues at December 31, 2012 received during 2013	(2,308,731)	(128,505)	(124,964)
Accrued Revenues at December 31, 2011 received during 2012	3,794,392	140,354	197,766
Accrued Expenditures at December 31, 2012 paid during 2013	1,063,138	13,624	42,150
Accrued Expenditures at December 31, 2011 paid during 2012	(1,067,856)	(52,509)	(6,731)
2011 Adjustment to Fair Value	54,506	0	0
2012 Adjustment to Fair Value	(123,782)	0	0
2011 Prepaids for 2012	111,407	0	0
2012 Prepaids for 2013	(116,467)	(6,734)	0
Outstanding Encumbrances	(370,011)	(48,168)	(73,642)
Perspective Difference:			
Activity of Funds Reclassified for GAAP Reporting Purposes	229	0	0
Budget Basis	<u>\$14,451,879</u>	<u>\$139,109</u>	<u>\$350,283</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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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 2012. 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, 2012.

#### **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, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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
Ohio Public Works Commission Loan	General Obligation Bond Retirement Fund Sewer Fund
Workers Compensation Liability	Workers Compensation Fund
Promissory Notes	General Obligation Bond Retirement Fund
Police and Firemen's Pension Accrued Liability	General Fund
Compensated Absences	General Fund Emergency Medical Services Operating Fund Recreation Fund, Water Fund, Sewer Fund

#### **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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction 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**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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 and resolutions 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, resolution) 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 unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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 2012.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

##### **A. Fund Deficits**

The fund deficit at December 31, 2012 of \$17,364 in the Police Grants 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 general fund provides operating 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 Police Grant Fund had a negative fund balance in the amount of \$40,152 at December 31, 2012.

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# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental funds 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	\$523,680
Delinquent Property Tax Revenue	80,942
Shared Revenues	537,539
Interest Revenues	109,418
All Other Revenue	156,253
Special Assessment Revenue	<u>4,025,936</u>
	\$5,433,768

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

Special Assessment Bonds Payable	(\$119,000)
General Obligation Bonds Payable	(7,364,118)
OPWC Loans Payable	(2,390,080)
OWDA Loans Payable	(11,153,736)
Promissory Note Payable	(67,260)
Accrued Pension Liability	(47,769)
Accrued Interest on Long-Term Debt	(23,513)
Premium on Bonds Issued	(155,582)
Capital Leases Payable	(121,105)
Compensated Absences Payable	<u>(2,521,142)</u>
	(\$23,963,305)

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net 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 depreciation exceeded capital outlay in the current period:*

Capital Outlay	\$1,657,890
Depreciation Expense	<u>(1,936,421)</u>
	(\$278,531)

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$8,001
Decrease in Delinquent Property Tax	(86,458)
Decrease in Shared Revenue	(300,669)
Decrease in All Other Revenues	(11,829)
Increase in Interest Revenue	23,954
Decrease in Special Assessment Revenue	<u>(548,152)</u>
	(\$915,153)

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

Increase in Compensated Absences Payable	(\$34,627)
Increase in supplies inventory	<u>57,159</u>
	\$22,532

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

### NOTE 4 – 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	Street Construction, Maintenance and Repair Fund	Storm Sewer Project Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Principal	\$0	\$0	\$0	\$0	\$84,023	\$84,023
Prepaid Items	116,467	0	0	0	3,785	120,252
Supplies Inventory	472,473	6,734	0	0	0	479,207
Total Nonspendable	<u>588,940</u>	<u>6,734</u>	<u>0</u>	<u>0</u>	<u>87,808</u>	<u>683,482</u>
Restricted:						
Special Assessment Debt Service Payments	0	0	0	16	0	16
Street Construction and Maintenance	0	854,817	0	0	0	854,817
State Highway Improvement	0	0	0	0	65,230	65,230
Permissive Auto Tax	0	0	0	0	112,475	112,475
Drug Law Enforcement and Education	0	0	0	0	11,442	11,442
Police Levy	0	0	0	0	89,034	89,034
Drug Law Enforcement	0	0	0	0	86,373	86,373
DUI and Seatbelt Grant	0	0	0	0	18,740	18,740
Fire Operation	0	0	0	0	54,674	54,674
EMS Operation	0	0	0	0	96,841	96,841
Electronic Monitor Device	0	0	0	0	4,648	4,648
Indigent Drivers Alcohol Treatment	0	0	0	0	91,782	91,782
City Recreation	0	0	0	0	77,082	77,082
Legal Computer Research	0	0	0	0	133,803	133,803
Court Special Projects	0	0	0	0	311,776	311,776
Probation Services	0	0	0	0	52,243	52,243
IDIAMF	0	0	0	0	23,109	23,109
Community Development Block Grant	0	0	0	0	83,921	83,921
Housing Assistance	0	0	0	0	178,932	178,932
Local Law Enforcement Block Grant	0	0	0	0	191	191
Cedar Point Development	0	0	0	0	346,509	346,509
Revolving Loan	0	0	0	0	74,755	74,755
FEMA	0	0	0	0	5	5
Solid Waste	0	0	0	0	4,731,360	4,731,360
Storm Sewer Projects	0	0	2,231,207	0	0	2,231,207
Street Lighting	0	0	0	0	199,551	199,551
Sewer Maintenance	0	0	0	0	66,330	66,330
Water Maintenance	0	0	0	0	427,312	427,312
Street Construction	0	0	0	0	715,552	715,552
Cedar Point TIF	0	0	0	0	43,046	43,046
Street, Recreation and Building	0	0	0	0	304,584	304,584
General Bond Retirement	0	0	0	0	37,482	37,482
Total Restricted	<u>0</u>	<u>854,817</u>	<u>2,231,207</u>	<u>16</u>	<u>8,438,782</u>	<u>11,524,822</u>

**CITY OF OREGON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 4 – FUND BALANCE CLASSIFICATION (Continued)**

Fund Balances	General Fund	Street Construction, Maintenance and Repair Fund	Storm Sewer Project Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Committed:						
Payroll Stabilization	681,375	0	0	0	0	681,375
Fire Operation	0	0	0	0	50,521	50,521
City Recreation	0	0	0	0	5,047	5,047
50th Anniversary	0	0	0	0	1,368	1,368
Hazardous Waste	0	0	0	0	182,352	182,352
Fire Pumper	0	0	0	0	4,384	4,384
Parkland Acquisition	0	0	0	0	200,126	200,126
Water Construction	0	0	0	0	2,122,775	2,122,775
Sewer Construction	0	0	0	0	2,245,268	2,245,268
StormSewer Construction	0	0	0	0	1,160,890	1,160,890
Economic Development	0	0	0	0	5,745	5,745
Total Committed	<u>681,375</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,978,476</u>	<u>6,659,851</u>
Assigned:						
Fiscal Year 2013 Appropriations	1,171,809	0	0	0	0	1,171,809
Purchase Orders	275,504	0	0	0	0	275,504
Unassigned	<u>36,913,652</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(17,364)</u>	<u>36,896,288</u>
Total Fund Balances	<u>\$39,631,280</u>	<u>\$861,551</u>	<u>\$2,231,207</u>	<u>\$16</u>	<u>\$14,487,702</u>	<u>\$57,211,756</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2012 the City implemented GASB Statement No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*,” GASB Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*,” GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” GASB Statement No. 64, “*Derivative Instruments: Application of Hedge Accounting Termination Provisions*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”.

Statement No. 57 provides guidance to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the City.

Statement No. 60 provides guidance to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the City.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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, 2012

### 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 \$14,897,900 and the bank balance was \$15,999,477. The Federal Deposit Insurance Corporation (FDIC) covered \$1,000,000 of the bank balance and \$14,999,477 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>\$14,999,477</u>
Total Balance	<u><u>\$14,999,477</u></u>

Investment earnings of \$302,088 earned by other funds were credited to the General Fund as required by local statute.

#### B. Investments

The City's investments at December 31, 2012 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
FHLB	\$4,029,060	AA+ <sup>1</sup> / Aaa <sup>2</sup>	\$0	\$1,006,690	\$3,022,370
FHLMC	3,527,100	AA+ <sup>1</sup> / Aaa <sup>2</sup>	0	0	3,527,100
FNMA	30,162,463	AA+ <sup>1</sup> / Aaa <sup>2</sup>	0	1,022,480	29,139,983
FFCB	2,495,500	AA+ <sup>1</sup> / Aaa <sup>2</sup>	0	0	2,495,500
Negotiable CD's	2,936,086	N/A	0	1,748,580	1,187,506
STAR Ohio	7,697,148	AAAm <sup>1</sup>	7,697,148	0	0
Total Investments	<u>\$50,847,357</u>		<u>\$7,697,148</u>	<u>\$3,777,750</u>	<u>\$39,372,459</u>

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

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

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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### 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 and FNMA 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 \$4,029,060, \$3,527,100, \$30,162,463 and \$2,495,500, 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, 7.9% are FHLB, 6.9% are FHLMC, 59.3% are FNMA, 4.9% are FFCB, 15.1% is Star Ohio and 5.9% 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	\$12,595,048	\$53,150,209
Certificates of Deposit (with maturities of more than 3 months)	10,000,000	(10,000,000)
Investments:		
STAR Ohio	(7,697,148)	7,697,148
Per Footnote	<u>\$14,897,900</u>	<u>\$50,847,357</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 2012 were levied after October 1, 2011 on assessed values as of January 1, 2011, 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 2007 and the equalization adjustment was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 31; the remainder is payable by July 31.



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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, 2012 was \$3.50 per \$1,000 of assessed value. The assessed value upon which the 2012 tax receipts were based was \$489,295,230. This amount constitutes \$452,538,660 in real property assessed value and \$36,756,570 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 0.350% (3.50 mills) of assessed value.

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

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

**CITY OF OREGON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2012 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 2012:

	Transfers In:				Total
	General Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	Sewer Fund	
Transfers Out:					
General Fund	\$0	\$0	\$3,273,089	\$837,000	\$4,110,089
Storm Sewer Project Fund	0	0	1,200,000	26,719	1,226,719
Other Governmental Funds	6,000	1,077,131	532,941	739,289	2,355,361
Sewer Fund	0	0	150,000	0	150,000
	<u>\$6,000</u>	<u>\$1,077,131</u>	<u>\$5,156,030</u>	<u>\$1,603,008</u>	<u>\$7,842,169</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.

During 2012, net transfers were made from the Water Fund to the general capital assets in the amount of \$6,118,822 in construction in progress related to the Big Ditch Project

Transfers of \$6,389,161 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, 2012

### NOTE 10 - CAPITAL ASSETS

#### A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Capital assets not being depreciated:</i>				
Land	\$4,653,808	\$0	\$0	\$4,653,808
Construction in Progress	5,561,361	1,604,037	(1,469,921)	5,695,477
Subtotal	10,215,169	1,604,037	(1,469,921)	10,349,285
<i>Capital assets being depreciated:</i>				
Land Improvements	3,121,279	148,105	0	3,269,384
Buildings and Improvements	7,771,167	27,750	0	7,798,917
Machinery and Equipment	4,077,505	134,701	(176,839)	4,035,367
Vehicles	6,708,638	104,842	(222,152)	6,591,328
Infrastructure	47,330,979	7,227,198	0	54,558,177
Subtotal	69,009,568	7,642,596	(398,991)	76,253,173
Total Cost	\$79,224,737	\$9,246,633	(\$1,868,912)	\$86,602,458

*Accumulated Depreciation:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Land Improvements	(\$1,654,631)	(\$132,675)	\$0	(\$1,787,306)
Buildings and Improvements	(5,119,137)	(183,730)	0	(5,302,867)
Machinery and Equipment	(2,995,275)	(172,482)	176,197	(2,991,560)
Vehicles	(4,707,662)	(422,995)	203,097	(4,927,560)
Infrastructure	(22,623,765)	(1,024,539)	0	(23,648,304)
Total Depreciation	(\$37,100,470)	(\$1,936,421) *	\$379,294	(\$38,657,597)
<i>Net Value:</i>	\$42,124,267			\$47,944,861

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

Security of Persons and Property	\$304,841
Public Health and Welfare Services	16,462
Leisure Time Activities	143,454
Community Environment	15,199
Transportation	1,314,033
General Government	142,432
Total Depreciation Expense	\$1,936,421

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

### NOTE 10 - CAPITAL ASSETS (continued)

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

Summary by Category at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Capital assets not being depreciated:</i>				
Land	\$756,016	\$0	\$0	\$756,016
Construction in Progress	6,058,735	119,724	(6,118,822)	59,637
Subtotal	6,814,751	119,724	(6,118,822)	815,653
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	84,538,731	7,662	(12,996)	84,533,397
Machinery and Equipment	14,848,512	944,923	0	15,793,435
Vehicles	883,347	0	0	883,347
Subtotal	100,270,590	952,585	(12,996)	101,210,179
Total Cost	\$107,085,341	\$1,072,309	(\$6,131,818)	\$102,025,832

*Accumulated Depreciation:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings and Distributions	(\$53,764,125)	(\$2,319,165)	\$1,137	(\$56,082,153)
Machinery and Equipment	(3,876,717)	(457,666)	0	(4,334,383)
Vehicles	(726,351)	(36,711)	0	(763,062)
Total Depreciation	(\$58,367,193)	(\$2,813,542)	\$1,137	(\$61,179,598)
<i>Net Value:</i>	\$48,718,148			\$40,846,234

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**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 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 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 Plan was 10.0% for calendar year 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City’s contributions for pension obligations to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$1,120,241, \$1,165,294 and \$1,200,753, respectively, or 86.3% of the required contributions for 2012 and 100% of the required contributions for 2011 and 2010. The unpaid contribution to fund pension obligations for 2012, in the amount of \$153,990, is recorded as a liability within the respective funds.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2012, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2012, 2011, and 2010 were \$651,425, \$637,142 and \$630,527 for police and \$212,323, \$224,196 and \$207,158 for firefighters, respectively, or 69.8% and 70.6%, respectively of the required contributions for 2012 and 100% of the required contributions for 2011 and 2010. The unpaid contribution to fund pension obligations for 2012, in the amounts of \$196,378 for police and \$62,427 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, 2012***

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**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.

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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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 2012, local government employers contributed at a rate of 14.0% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. 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, 2012, 2011, and 2010 were \$320,069, \$332,941 and \$436,229, respectively, or 86.3% of the required contributions for 2012 and 100% of the required contributions for 2011 and 2010.

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.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

#### **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.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2012, 2011, and 2010 were \$225,493, \$220,549 and \$218,259 for police and \$59,716, \$63,055 and \$58,263 for firefighters, respectively, or 69.8% and 70.6% respectively, of the required contributions for 2012 and 100% of the required contributions for 2011 and 2010.

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

### 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, 2012, the City's accumulated, unpaid compensated absences amounted to \$3,224,814, of which \$2,521,142 is recorded as a liability of the Governmental Activities and \$703,672 is recorded as a liability of the Business-Type Activities.

### NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2012 was as follows:

	Balance December 31, 2011	Issued	(Retired)	Balance December 31, 2012	Amount Due Within One Year
<b>Governmental Activities Long-Term Debt:</b>					
General Obligation Bonds:					
4.67% Land Acquisition	\$482,743	\$0	(\$98,625)	\$384,118	\$103,414
2.00% Wheeling Street Improvement	0	3,950,000	0	3,950,000	175,000
Premium	0	95,845	0	95,845	0
2.00% Big Ditch/Stadium	0	3,030,000	0	3,030,000	115,000
Premium	0	59,737	0	59,737	0
Total General Obligation Bonds	482,743	7,135,582	(98,625)	7,519,700	393,414
Special Assessment Bond Payable					
with Governmental Commitment:					
5.25% York Street Waterline	139,000	0	(20,000)	119,000	21,000

(Continued)

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

### NOTE 14 - LONG-TERM DEBT (Continued)

	Balance December 31, 2011	Issued	(Retired)	Balance December 31, 2012	Amount Due Within One Year
<b>Governmental Activities Long-Term Debt:</b>					
Promissory Note Payable:					
4.22% Circuit 715 Lighting	87,872	0	(20,612)	67,260	21,491
Ohio Public Works Commission Loans:					
0.00% Zebra Mussel Control - Raw Water Intake	154,687	0	(15,470)	139,217	15,470
0.00% Water Plant Renovations - Phase I	218,543	0	(19,867)	198,676	19,867
0.00% Water Treatment Plant Improvements - Phase II	231,243	0	(20,108)	211,135	20,108
0.00% Bayshore Bridge	2,775	0	(2,775)	0	0
0.00% Water Treatment Plant Improvements - Phase III	300,000	0	(25,000)	275,000	25,000
0.00% Water Treatment Plant Improvements - Phase IV	399,100	0	(30,700)	368,400	30,700
0.00% Water Treatment Plant Improvements - Phase V	58,805	0	(4,201)	54,604	4,201
0.00% South Shore Park Waterline - Phase II	49,593	0	(3,200)	46,393	3,200
0.00% Elevated Storage Tank	438,750	0	(22,500)	416,250	22,500
0.00% Sanitary Sewer Rehabilitation	190,000	0	(10,000)	180,000	10,000
0.00% Big Ditch Improvement	466,830	0	(23,940)	442,890	23,940
0.00% Sanitary Sewer Rehabilitation	0	57,515	0	57,515	11,250
Total Ohio Public Works Commission Loans	2,510,326	57,515	(177,761)	2,390,080	186,236
Ohio Water Development Authority Loans:					
4.28% Waterplant Renovation - Phase I & II	6,004,872	0	(492,644)	5,512,228	513,955
3.65% Waterplant Renovation - Phase III	1,333,085	0	(41,607)	1,291,478	105,291
3.52% Elevated Storage Tank	3,737,289	305,249	(162,391)	3,880,147	168,158
2.64% Elevated Storage Tank	0	469,883	0	469,883	0
Total Ohio Water Development Authority Loans Payable	11,075,246	775,132	(696,642)	11,153,736	787,404
Long-Term Notes Payable:					
0.69% Wheeling Street Improvements	3,980,000	0	(3,980,000)	0	0
0.69% Big Ditch/Stadium Improvements	3,025,000	0	(3,025,000)	0	0
Total Long-Term Notes Payable	7,005,000	0	(7,005,000)	0	0
Compensated Absences	2,486,515	2,521,142	(2,486,515)	2,521,142	826,219
Capital Leases	0	149,975	(28,870)	121,105	28,636
Workers Compensation Liability	120,736	63,821	0	184,557	0
Police and Firemen's Pension Accrued Liability	49,021	0	(1,252)	47,769	1,306
Total Governmental Activities Long-Term Debt	\$23,956,459	\$10,703,167	(\$10,535,277)	\$24,124,349	\$2,265,706

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

### NOTE 14 - LONG-TERM DEBT (Continued)

	Balance December 31, 2011	Issued	(Retired)	Balance December 31, 2012	Amount Due Within One Year
<b>Business-Type Long-Term Debt:</b>					
General Obligation Bonds:					
3.25% Sewer Improvement	\$1,475,000	\$0	(\$1,475,000)	\$0	\$0
2.00% Sewer Improvement	0	1,245,000	0	1,245,000	205,000
Premium	0	92,870	0	92,870	0
Total General Obligation Bonds	<u>1,475,000</u>	<u>1,337,870</u>	<u>(1,475,000)</u>	<u>1,337,870</u>	<u>205,000</u>
Ohio Public Works Commission Loan:					
0.00% Eastwyck Sanitary Pump Station	140,208	0	(9,670)	130,538	9,670
Ohio Water Development Authority Loans:					
2.20% North Oregon Sewer (SRFA)	106,647	0	(34,773)	71,874	35,542
4.80% North Oregon Sewer (SRFB)	108,958	0	(34,611)	74,347	36,292
3.80% Seaman Road Trunk Sewer - Phase I	911,377	0	(76,488)	834,889	79,423
3.95% Seaman Road Trunk Sewer - Phase II	1,539,019	0	(108,077)	1,430,942	112,389
3.50% Stadium Road Sewer	2,173,747	0	(141,344)	2,032,403	146,154
3.35% Pickle Road Sewer	1,838,922	0	(109,759)	1,729,163	113,466
3.25% Coy Road Sewer	421,615	0	(22,213)	399,402	22,941
Total Ohio Water Development Authority Loans	<u>7,100,285</u>	<u>0</u>	<u>(527,265)</u>	<u>6,573,020</u>	<u>546,207</u>
Compensated Absences	630,699	703,672	(630,699)	703,672	240,676
Total Business-Type Activities Long-Term Debt	<u>\$9,346,192</u>	<u>\$2,041,542</u>	<u>(\$2,642,634)</u>	<u>\$8,745,100</u>	<u>\$1,001,553</u>

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# **CITY OF OREGON, OHIO**

## **Notes to the Basic Financial Statements For the Year Ended December 31, 2012**

### **NOTE 14 - LONG-TERM DEBT (Continued)**

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

The principal amount of the City's special assessment debt outstanding at December 31, 2012 of \$119,000, 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 \$16 in the Special Assessment Bond Retirement Fund at December 31, 2012 is restricted for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$93,522.

#### **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, 2012 was \$47,769 in principal and \$26,835 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, 2012, follows:

Years	<b><u>Governmental Activities</u></b>					
	<b><u>General Obligation Bonds</u></b>		<b><u>Special Assessment Bonds</u></b>		<b><u>Promissory Note</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2013	\$393,414	\$233,554	\$21,000	\$6,248	\$21,491	\$2,614
2014	443,369	176,457	23,000	5,145	22,407	1,698
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
2018-2022	1,675,000	533,990	0	0	0	0
2023-2027	1,940,000	351,606	0	0	0	0
2028-2032	1,685,000	114,004	0	0	0	0
Totals	<b><u>\$7,364,118</u></b>	<b><u>\$1,850,421</u></b>	<b><u>\$119,000</u></b>	<b><u>\$19,374</u></b>	<b><u>\$67,260</u></b>	<b><u>\$5,054</u></b>

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

### NOTE 14 - LONG-TERM DEBT (Continued)

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

Years	OWDA Loans		OPWC Loans		Police/Firemen's Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$787,404	\$419,339	\$186,236	\$0	\$1,306	\$2,016
2014	819,485	387,257	200,263	0	1,362	1,960
2015	852,885	243,859	200,263	0	1,421	1,902
2016	887,253	349,089	200,189	0	1,482	1,841
2017	923,852	282,892	197,484	0	1,545	1,777
2018-2022	4,933,939	825,224	863,825	0	8,781	7,832
2023-2027	1,430,755	259,476	299,280	0	10,835	5,776
2028-2032	518,163	38,914	231,290	0	13,350	3,240
2033-2035	0	0	11,250	0	7,687	491
Totals	<u>\$11,153,736</u>	<u>\$2,806,051</u>	<u>\$2,390,080</u>	<u>\$0</u>	<u>\$47,769</u>	<u>\$26,835</u>

#### Business-Type Activities

Years	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$205,000	\$44,909	\$546,207	\$240,758	\$9,670	\$0
2014	220,000	31,200	587,875	220,198	9,670	0
2015	220,000	24,600	532,154	199,560	9,670	0
2016	220,000	18,000	551,501	180,213	9,670	0
2017	190,000	11,400	571,554	160,159	9,670	0
2018-2022	190,000	5,700	3,073,726	474,441	48,350	0
2023-2027	0	0	710,003	45,580	33,838	0
Totals	<u>\$1,245,000</u>	<u>\$135,809</u>	<u>\$6,573,020</u>	<u>\$1,520,909</u>	<u>\$130,538</u>	<u>\$0</u>

#### 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***

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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### **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, 2012:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2013	\$32,696
2014	32,696
2015	32,696
2016	<u>32,696</u>
Minimum Lease Payments	130,784
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(9,679)</u>
Present value of minimum lease payments	<u><u>\$121,105</u></u>

**CITY OF OREGON, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 16 - NOTES PAYABLE**

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

The following general obligation notes were payable at December 31, 2012:

	Maturity Date	Balance December 31, 2011	Issued (Retired)	Balance December 31, 2012
Capital Projects Note Payable:				
0.78% Aerial Pumper	2012	\$200,000	(\$200,000)	\$0

**NOTE 17 - CONSTRUCTION COMMITMENTS**

As of December 31, 2012, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Wheeling Street Bridge over Otter	\$623,126	December 2014
Seaman Road Storm Improvement Project	24,309	September 2013
Dustin Road Improvements - Phase 1	1,463,636	June 2013
Low Service Pump Replacement	1,500,000	June 2014
WWTP Secondary Treatment Imp - Phase 1	9,012,000	June 2015
WWTP Secondary Treatment Imp - Phase 2	6,863,000	December 2017
Oregon Flood Relief and Erosion Control	5,103,784	December 2014
Total	\$24,589,855	



# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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### NOTE 18 - 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>
2010	\$0	\$31,157	(\$31,157)	\$0
2011	0	29,261	(29,261)	0
2012	0	26,848	(26,848)	0

# **CITY OF OREGON, OHIO**

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## **Notes to the Basic Financial Statements For the Year Ended December 31, 2012**

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### **NOTE 18 - INSURANCE AND RISK MANAGEMENT (Continued)**

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

The City is a participating member with the Ohio Bureau of Workers' Compensation (Bureau) Retrospective Rating Program. Retrospective (Retro) Rating is best described as a quasi self-insured program, which shifts a selected level of risk to the employer in return for a reduction in premium. Under the Retro plan employers are responsible for actual claims cost on all claims occurring within the program period. Retro claims have a ten-year life commencing with the date of injury. Claims cost for Retro claims incurred beyond ten years from the date of injury will be assumed by the Bureau. The City has a claims limit of \$200,000 per claim with a billable ceiling of 200% of the premium for 2012. 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>
2010	\$60,529	\$123,809	(\$109,843)	\$74,495
2011	74,495	186,777	(140,536)	120,736
2012	120,736	209,511	(145,690)	184,557

### **NOTE 19 - 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.

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**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

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, 2012, 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 3, 2013, wherein we noted that the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we considered to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses which is listed as **Finding 2012-001**.

### **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*.

### **City of Oregon, Ohio's Responses to Findings**

The City of Oregon, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Oregon, Ohio's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 3, 2013

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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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

**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 each of the City of Oregon, Ohio's major federal programs for the year ended December 31, 2012. 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, 2012.

## 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 3, 2013

**CITY OF OREGON, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<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-10-2DB-1	62,172
Community Development Block Grants/State's Program	14.228	A-F-11-2DB-1	5,772
<i>Total CFDA #14.228</i>			<u>67,944</u>
HOME Investment Partnerships Program	14.239	A-C-10-2DB-1&2	294,016
<b>Total U.S. Department of Housing and Urban Development</b>			<u>361,960</u>
<b><u>U.S. Department of the Interior</u></b>			
<i>Passed through Fish and Wildlife Service</i>			
Coastal Program			
Wolf Creek Riparian Corridor	15.630	n/a	11,332
<b>Total U.S. Department of the Interior</b>			<u>11,332</u>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct Program</i>			
Bullet Proof Vest Partnership Program	16.607	2012	2,425
<b>Total U.S. Department of Justice</b>			<u>2,425</u>
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grant-Lucas Stadium Road			
Bike Path Phase 2	20.205	PI090663	810
<b>Total U.S. Department of Transportation</b>			<u>810</u>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed through Ohio Emergency Management Agency</i>			
Buffer Zone Protection Program (BZPP)	97.078	2010-BZ-T0-0028	109,737
<b>Total U.S. Department of Homeland Security</b>			<u>109,737</u>
<b><u>U.S. Environmental Protection Agency - Office of Water</u></b>			
<i>Passed through Ohio Water Development Agency</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	5034	15,999
<b>Total U.S. Environmental Protection Agency - Office of Water</b>			<u>15,999</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 502,263</u>

See accompanying notes to the supplemental Schedule of Federal Awards.

**CITY OF OREGON, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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, 2012 was \$156,046. The program income represents interest revenue earned from the revolving loans and bank accounts and repayments of loans of \$11,829. These amounts were subject to single audit procedures.



**CITY OF OREGON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 & §.505**  
**DECEMBER 31, 2012**

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

2012(i)	Type of Financial Statement Opinion	Unmodified
2012(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
2012(ii)	Were there any other significant deficiencies identified not considered to be material weaknesses reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinions	Unmodified
2012(vi)	Are there any audit findings under .510?	No
2012(vii)	Major Programs (list):  Home Investment Partnership Program - CFDA # 14.239	
2012(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2012(ix)	Low Risk Auditee?	No

**CITY OF OREGON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 & §.505**  
**DECEMBER 31, 2012**  
**(CONTINUED)**

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

**Finding No. 2012-001 - Material Weakness - Bank Reconciliations**

Statement of Condition/Criteria

Based on our audit of the cash function of the City, we noted that the City prepares bank account reconciliations monthly; however, in the prior year the accounts were not reconciled to the Fund Balance Report. As of December, 31, 2012, the City's bank account reconciliations exceeded the Fund Balance Report by \$147,238. This difference has been consistent for the year.

Cause/Effect

Bank account reconciliations were not reconciled to the Fund Balance Report in the past. Not reconciling the bank accounts to the Fund Balance Report prevents the City from discovering if all cash transactions have been recorded correctly or if there is a bank error.

Recommendation

We recommend that the City continue to reconcile all bank accounts to the Fund Balance Report each month. This reconciliation and a review of bank reconciliations should include follow-up on any unreconciled differences, including the current difference identified above. If there is a difference, the City should investigate and correct it immediately and record any adjusting journal entries deemed necessary. If accurate reconciliations are not conducted in a timely manner, immaterial differences can accumulate to a significant amount that makes the reconciliation process more difficult.

City's Response

The City will work with its software vendor to resolve this on-going issue.

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

None

**CITY OF OREGON, OHIO  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain.</b>
2011-001	Bank Reconciliations	No	Not Corrected; Repeated as Finding 2012-001.
2011-002	Citation ORC 5905.10 Negative Fund Balance	No	Not Corrected; Management Comment
2011-003	Schedule of Expenditure of Federal Awards	Yes	Corrected.

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

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# Dave Yost • Auditor of State

**CITY OF OREGON**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 03, 2013**