

CITY OF OREGON, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010 through December 31, 2010. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 14, 2011

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**CITY OF OREGON, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Statement of Net Assets	12-13
Statement of Activities	14-15
Balance Sheet - Governmental Funds	16-17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20-21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	23
Statement of Net Assets - Proprietary Funds	24-25
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28-29
Statement of Assets and Liabilities - Fiduciary Funds	30
Notes to the Basic Financial Statements	31-67
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68-69
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	70-71
Schedule of Expenditures of Federal Awards	72
Notes to the Schedule of Expenditures of Federal Awards	73
Schedule of Findings and Questioned Costs	74-78
Status of Prior Year Findings and Recommendations	79

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Oregon, Ohio

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oregon, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the City restated fund balances and net assets due to a correction in the reporting of capital assets in the Enterprise Funds, a correction in reporting investments in Other Governmental Funds, and a reclassification of a portion of revenue from Other Governmental funds to the Street Construction Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oregon, Ohio's financial statements as a whole. The accompanying 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



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

May 25, 2011

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

The discussion and analysis of the City of Oregon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. 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 2010 are as follows:

- ❑ In total, net assets increased \$1,432,097. Net assets of governmental activities decreased \$2,020,997, which represents a 3.5% decrease from 2009. Net assets of business-type activities increased \$3,453,094, from 2009.
- ❑ General revenues accounted for \$20.3 million in revenue or 50% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for the remaining 50% of total revenues of \$40,570,579.
- ❑ The City had \$29.5 million in expenses related to governmental activities; only \$8.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$20.3 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$18.4 million in revenues and \$16.1 million in expenditures. The general fund's fund balance decreased \$874,559 to \$15,852,241.
- ❑ Net assets for enterprise funds increased by \$3,368,278.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF OREGON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

Government-wide Statements

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

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

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

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

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net assets between 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$41,028,517	\$46,878,355	\$8,698,793	\$7,371,206	\$49,727,310	\$54,249,561
Capital assets, Net	41,727,766	36,685,413	48,210,160	46,873,468	89,937,926	83,558,881
Total assets	82,756,283	83,563,768	56,908,953	54,244,674	139,665,236	137,808,442
Long-term debt outstanding	23,531,248	17,235,257	10,149,441	11,033,332	33,680,689	28,268,589
Other liabilities	3,782,024	8,864,503	342,582	247,506	4,124,606	9,112,009
Total liabilities	27,313,272	26,099,760	10,492,023	11,280,838	37,805,295	37,380,598
Net assets						
Invested in capital assets, net of related debt	20,664,787	15,734,771	38,796,336	36,501,922	59,461,123	52,236,693
Restricted	19,504,881	17,703,554	0	0	19,504,881	17,703,554
Unrestricted	15,273,343	24,025,683	7,620,594	6,461,914	22,893,937	30,487,597
Total net assets	\$55,443,011	\$57,464,008	\$46,416,930	\$42,963,836	\$101,859,941	\$100,427,844

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CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	Restated 2009	2010	Restated 2009	2010	Restated 2009
Revenues						
Program Revenues:						
Charges for Services and Sales	\$2,557,626	\$3,089,214	\$8,754,549	\$8,118,048	\$11,312,175	\$11,207,262
Operating Grants and Contributions	1,240,700	1,908,334	0	0	1,240,700	1,908,334
Capital Grants and Contributions	4,331,967	441,197	3,354,116	2,447,657	7,686,083	2,888,854
General Revenues:						
Property Taxes	2,130,803	1,744,997	0	0	2,130,803	1,744,997
Income Taxes	15,583,982	15,326,778	0	0	15,583,982	15,326,778
Shared Revenues	1,903,204	1,956,227	0	0	1,903,204	1,956,227
Investment Earnings	700,299	1,026,240	0	0	700,299	1,026,240
Miscellaneous	13,333	67,586	0	0	13,333	67,586
Total Revenues	<u>28,461,914</u>	<u>25,560,573</u>	<u>12,108,665</u>	<u>10,565,705</u>	<u>40,570,579</u>	<u>36,126,278</u>
Program Expenses						
Security of Persons and Property	11,205,739	11,051,735	0	0	11,205,739	11,051,735
Public Health and Welfare Services	445,839	485,365	0	0	445,839	485,365
Leisure Time Activities	1,027,805	945,192	0	0	1,027,805	945,192
Community Environment	1,373,361	1,052,592	0	0	1,373,361	1,052,592
Basic Utility Services	459,674	618,414	0	0	459,674	618,414
Transportation	8,776,117	5,820,860	0	0	8,776,117	5,820,860
General Government	5,656,190	5,395,466	0	0	5,656,190	5,395,466
Interest and Fiscal Charges	588,373	522,069	0	0	588,373	522,069
Water	0	0	4,637,816	8,378,520	4,637,816	8,378,520
Sewer	0	0	4,967,568	8,570,114	4,967,568	8,570,114
Total Expenses	<u>29,533,098</u>	<u>25,891,693</u>	<u>9,605,384</u>	<u>16,948,634</u>	<u>39,138,482</u>	<u>42,840,327</u>
Excess (Deficiency) Before Transfers	(1,071,184)	(331,120)	2,503,281	(6,382,929)	1,432,097	(6,714,049)
Transfers In (Out)	<u>(949,813)</u>	<u>(1,061,222)</u>	<u>949,813</u>	<u>1,061,222</u>	<u>0</u>	<u>0</u>
Total Change in Net Assets	<u>(2,020,997)</u>	<u>(1,392,342)</u>	<u>3,453,094</u>	<u>(5,321,707)</u>	<u>1,432,097</u>	<u>(6,714,049)</u>
Beginning Net Assets - Restated	<u>57,464,008</u>	<u>58,856,350</u>	<u>42,963,836</u>	<u>48,285,543</u>	<u>100,427,844</u>	<u>107,141,893</u>
Ending Net Assets	<u>\$55,443,011</u>	<u>\$57,464,008</u>	<u>\$46,416,930</u>	<u>\$42,963,836</u>	<u>\$101,859,941</u>	<u>\$100,427,844</u>

Governmental Activities

Net assets of the City's governmental activities decreased by \$2,020,997. This was due primarily to the decrease in investment earnings, a decrease in charges for services and a significant increase in transportation expenditures from the increased number of improvements being made by the City and the transfers out to 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.

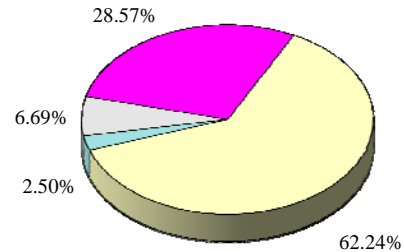
Property taxes and income taxes made up 7.49% and 54.75% respectively of revenues for governmental activities for the City in fiscal year 2010. The City's reliance upon tax revenues is demonstrated by the following graph indicating 62.24% of total revenues from general tax revenues:

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Revenue Sources	2010	Percent of Total
General Shared Revenues	\$1,903,204	6.69%
Program Revenues	8,130,293	28.57%
General Tax Revenues	17,714,785	62.24%
General Other	713,632	2.50%
Total Revenue	\$28,461,914	100.00%



Business-Type Activities

Net assets of the business-type activities increased by \$3,453,094. This increase was due to the capital grants received for the construction of the new elevated water storage tank and related projects along with a significant decrease in water and sewer expenses compared to 2009. This was mostly related to the restatement of capital assets from the previous year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$28,665,230, which is an increase from last year's balance of \$27,609,192. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Restated Fund Balance December 31, 2009	Increase (Decrease)
General	\$15,852,241	\$16,726,800	(\$874,559)
Special Assessment Bond			
Retirement	33,811	4,988	28,823
Street Construction	631,158	(56,173)	687,331
Other Governmental	12,148,020	10,933,577	1,214,443
Total	\$28,665,230	\$27,609,192	\$1,056,038

General Fund – The City's General Fund balance decrease 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, 2010

Unaudited

	2010 Revenues	2009 Revenues	Increase (Decrease)
Taxes	\$13,920,581	\$13,276,122	\$644,459
Intergovernmental Revenue	1,191,820	1,356,550	(164,730)
Charges for Services	1,516,077	1,972,158	(456,081)
Fines, Licenses and Permits	615,439	543,815	71,624
Investment Earnings	970,401	835,814	134,587
Special Assessments	11,128	11,877	(749)
All Other Revenue	157,835	167,945	(10,110)
Total	<u>\$18,383,281</u>	<u>\$18,164,281</u>	<u>\$219,000</u>

General Fund revenues in 2010 increased approximately 1.2% compared to revenues in fiscal year 2009. The most significant factor contributing to this increase was an increase in tax revenue.

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Security of Persons and Property	\$8,170,886	\$8,296,922	(\$126,036)
Public Health and Welfare Services	425,504	433,521	(8,017)
Leisure Time Activities	7,235	37,100	(29,865)
Community Environment	677,139	640,286	36,853
Transportation	2,927,715	2,702,082	225,633
General Government	3,864,141	3,756,129	108,012
Total	<u>\$16,072,620</u>	<u>\$15,866,040</u>	<u>\$206,580</u>

General Fund expenditures increased by \$206,580 or 1.3% compared to the prior year mostly due to an increase in transportation costs.

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 2010 the City amended its General Fund budget several times.

For the General Fund, final budget basis revenue of \$21.9 million changed slightly from the original budget estimates of \$22.1 million. The General Fund had an adequate fund balance to cover expenditures.

CHANGE IN FUND BALANCES

The increase in fund balance for the Special Assessment Bond Retirement Fund can be attributed to the increase in transfers into the fund in order to cover principal and interest expenditures.

The increase in fund balance for the Street Construction Fund can be attributed to the retirement of short-term notes payable reported in the fund during 2009.

CITY OF OREGON, OHIO

Management's Discussion and Analysis
For the Year Ended December 31, 2010

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010 the City had \$89,937,926 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$41,727,766 was related to governmental activities and \$48,210,160 to business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		
	2010	Restated 2009	Increase (Decrease)
Land and Land Improvements	\$7,924,981	\$8,003,644	(\$78,663)
Construction in Progress	7,963,881	3,201,211	4,762,670
Buildings and Improvements	7,689,320	7,621,741	67,579
Machinery and Equipment	4,001,275	4,029,931	(28,656)
Vehicles	6,322,246	6,212,320	109,926
Infrastructure	43,069,803	41,298,734	1,771,069
Less: Accumulated Depreciation	(35,243,740)	(33,682,168)	(1,561,572)
Totals	<u>\$41,727,766</u>	<u>\$36,685,413</u>	<u>\$5,042,353</u>

	Business-Type Activities		
	2010	Restated 2009	Increase (Decrease)
Land	\$756,016	\$756,016	\$0
Construction in Progress	7,402,010	4,345,107	3,056,903
Buildings and Distribution	80,234,032	79,756,586	477,446
Machinery and Equipment	14,661,546	14,705,636	(44,090)
Vehicles	796,079	797,204	(1,125)
Less: Accumulated Depreciation	(55,639,523)	(53,487,081)	(2,152,442)
Totals	<u>\$48,210,160</u>	<u>\$46,873,468</u>	<u>\$1,336,692</u>

The primary increases occurred in construction in progress and infrastructure. This was due to the planning and expenses for the Big Ditch, Elevated Storage Tank and Wheeling Street Projects.

As of December 31, 2010, the City has contractual commitments of \$11,186,648, as listed in Note 16, for various projects. Included in these projects are the street improvements, water and sanitary sewer trunk lines, intersection improvements, bikeways, ditch enclosures and relocation and construction of an additional elevated water tank. Additional information on the City's capital assets can be found in Note 10.

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2010

Unaudited

Debt

At December 31, 2010, the City had \$2.4 million in bonds outstanding, \$320,743 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2010 and 2009:

	2010	Restated 2009
	<u> </u>	<u> </u>
Governmental Activities:		
General Obligation Bonds	\$576,986	\$666,932
Special Assessment Bonds	190,500	239,900
Promissory Note	107,642	126,602
OWDA Loans Payable	10,872,823	10,633,464
OPWC Loans Payable	2,185,028	1,774,487
Long-Term Notes Payable	6,830,000	0
Pension Liability	50,222	51,373
Workers Compensation Liability	74,495	60,529
Compensated Absences	2,643,553	2,272,711
Total Governmental Activities	<u>23,531,249</u>	<u>15,825,998</u>
Business-Type Activities:		
General Obligation Bonds	\$1,650,000	\$1,820,000
OWDA Loans Payable	7,609,112	8,391,999
OPWC Loans Payable	154,712	159,547
Compensated Absences	735,617	661,786
Total Business-Type Activities	<u>10,149,441</u>	<u>11,033,332</u>
Totals	<u>\$33,680,690</u>	<u>\$26,859,330</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, 2010, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

CITY OF OREGON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

ECONOMIC FACTORS

The City's original budget for 2010 utilized conservative revenue estimates with limited increases in base operating costs. Original General Fund revenues were projected to be at the same level as actual receipts for 2009. 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 2010 actual expenditures. No additional personnel were added in the final approved budget. Department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

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

REQUESTS FOR INFORMATION

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

CITY OF OREGON, OHIO

Statement of Net Assets December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 8,174,090	\$ 1,528,991	\$ 9,703,081
Investments	19,979,356	5,068,415	25,047,771
Receivables:			
Taxes	4,018,207	0	4,018,207
Accounts	123,812	1,264,078	1,387,890
Intergovernmental	2,687,393	0	2,687,393
Interest	423,870	0	423,870
Special Assessments	5,164,614	0	5,164,614
Loans	178,894	0	178,894
Internal Balances	(242,547)	242,547	0
Inventory of Supplies at Cost	415,429	535,077	950,506
Prepaid Items	105,399	59,685	165,084
Capital Assets:			
Capital Assets Not Being Depreciated	12,811,155	8,158,026	20,969,181
Capital Assets Being Depreciated, Net	28,916,611	40,052,134	68,968,745
Total Assets	82,756,283	56,908,953	139,665,236
Liabilities:			
Accounts Payable	1,282,564	150,626	1,433,190
Accrued Wages and Benefits	982,960	187,054	1,170,014
Intergovernmental Payable	2,069	0	2,069
Unearned Revenue	1,195,652	0	1,195,652
Accrued Interest Payable	18,779	4,902	23,681
General Obligation Notes Payable	300,000	0	300,000
Noncurrent liabilities:			
Due within one year	8,720,147	924,216	9,644,363
Due in more than one year	14,811,101	9,225,225	24,036,326
Total Liabilities	27,313,272	10,492,023	37,805,295

CITY OF OREGON, OHIO

	Governmental Activities	Business-Type Activities	Total
Net Assets:			
Invested in Capital Assets, Net of Related Debt	20,664,787	38,796,336	59,461,123
Restricted For:			
Capital Projects	9,761,659	0	9,761,659
Debt Service	4,022,239	0	4,022,239
Street Construction, Maintenance and Repair	848,057	0	848,057
Court Special Projects	312,152	0	312,152
Housing Assistance	129,522	0	129,522
Solid Waste	615,957	0	615,957
Storm Sewer Project	1,767,578	0	1,767,578
Street Lighting	859,637	0	859,637
Hazardous Waste Landfill	85,697	0	85,697
Perpetual Care:			0
Nonexpendable	87,191	0	87,191
Other Purposes	1,015,192	0	1,015,192
Unrestricted	15,273,343	7,620,594	22,893,937
Total Net Assets	\$ 55,443,011	\$ 46,416,930	\$ 101,859,941

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Activities For the Year Ended December 31, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 11,205,739	\$ 209,841	\$ 107,772	\$ 385,837
Public Health and Welfare Services	445,839	56,906	0	0
Leisure Time Activities	1,027,805	252,193	0	0
Community Environment	1,373,361	240,613	70,469	0
Basic Utility Services	459,674	29	0	390,918
Transportation	8,776,117	35,269	1,062,459	3,543,740
General Government	5,656,190	1,762,775	0	11,472
Interest and Fiscal Charges	588,373	0	0	0
Total Governmental Activities	29,533,098	2,557,626	1,240,700	4,331,967
Business-Type Activities:				
Water	4,637,816	4,470,433	0	3,354,116
Sewer	4,967,568	4,284,116	0	0
Total Business-Type Activities	9,605,384	8,754,549	0	3,354,116
Totals	\$ 39,138,482	\$ 11,312,175	\$ 1,240,700	\$ 7,686,083

General Revenues

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

 Change in Net Assets

 Restated Net Assets Beginning of Year
 Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (10,502,289)	\$ 0	\$ (10,502,289)
(388,933)	0	(388,933)
(775,612)	0	(775,612)
(1,062,279)	0	(1,062,279)
(68,727)	0	(68,727)
(4,134,649)	0	(4,134,649)
(3,881,943)	0	(3,881,943)
(588,373)	0	(588,373)
<u>(21,402,805)</u>	<u>0</u>	<u>(21,402,805)</u>
0	3,186,733	3,186,733
0	(683,452)	(683,452)
<u>0</u>	<u>2,503,281</u>	<u>2,503,281</u>
<u>\$ (21,402,805)</u>	<u>\$ 2,503,281</u>	<u>\$ (18,899,524)</u>
2,130,803	0	2,130,803
15,583,982	0	15,583,982
1,903,204	0	1,903,204
700,299	0	700,299
13,333	0	13,333
(949,813)	949,813	0
<u>19,381,808</u>	<u>949,813</u>	<u>20,331,621</u>
(2,020,997)	3,453,094	1,432,097
<u>57,464,008</u>	<u>42,963,836</u>	<u>100,427,844</u>
<u>\$ 55,443,011</u>	<u>\$ 46,416,930</u>	<u>\$ 101,859,941</u>

CITY OF OREGON, OHIO

Balance Sheet Governmental Funds December 31, 2010

	General	Special Assessment Bond Retirement	Street Construction
Assets:			
Cash and Cash Equivalents	\$ 2,994,850	\$ 33,811	\$ 0
Investments	10,702,508	0	0
Receivables:			
Taxes	3,109,243	0	0
Accounts	105,383	0	0
Intergovernmental	590,218	0	1,026,439
Interest	423,853	0	0
Special Assessments	32,837	3,379,964	0
Loans	0	0	0
Interfund Loans Receivables	263,481	0	0
Inventory of Supplies, at Cost	415,429	0	0
Prepaid Items	101,199	0	0
Total Assets	\$ 18,739,001	\$ 3,413,775	\$ 1,026,439
Liabilities:			
Accounts Payable	\$ 149,309	\$ 0	\$ 800
Accrued Wages and Benefits Payable	714,752	0	0
Intergovernmental Payable	2,069	0	0
Interfund Loans Payable	0	0	263,481
Deferred Revenue	2,020,630	3,379,964	131,000
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Total Liabilities	2,886,760	3,379,964	395,281
Fund Balances:			
Reserved for Encumbrances	424,755	0	781,041
Reserved for Prepaid Items	101,199	0	0
Reserved for Supplies Inventory	415,429	0	0
Reserved for Endowments	0	0	0
Undesignated/Unreserved in:			
General Fund	14,910,858	0	0
Special Revenue Funds	0	0	0
Debt Service Funds	0	33,811	0
Capital Projects Funds	0	0	(149,883)
Total Fund Balances	15,852,241	33,811	631,158
Total Liabilities and Funds Balances	\$ 18,739,001	\$ 3,413,775	\$ 1,026,439

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

	Other Governmental Funds	Total Governmental Funds
\$	4,424,145	\$ 7,452,806
	8,659,146	19,361,654
	908,964	4,018,207
	16,398	121,781
	1,070,736	2,687,393
	17	423,870
	1,751,813	5,164,614
	178,894	178,894
	0	263,481
	0	415,429
	0	101,199
\$	<u>17,010,113</u>	<u>\$ 40,189,328</u>
\$	1,132,055	\$ 1,282,164
	268,208	982,960
	0	2,069
	0	263,481
	3,161,121	8,692,715
	709	709
	<u>300,000</u>	<u>300,000</u>
	<u>4,862,093</u>	<u>11,524,098</u>
	5,267,656	6,473,452
	0	101,199
	0	415,429
	87,191	87,191
	0	14,910,858
	4,406,907	4,406,907
	18,761	52,572
	<u>2,367,505</u>	<u>2,217,622</u>
	<u>12,148,020</u>	<u>28,665,230</u>
\$	<u>17,010,113</u>	<u>\$ 40,189,328</u>

CITY OF OREGON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities December 31, 2010

Total Governmental Fund Balances	\$ 28,665,230
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	41,727,766
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	7,497,063
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,027,775
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(23,474,823)</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 55,443,011</u>

See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2010

	General	Special Assessment Bond Retirement	Street Construction
Revenues:			
Property Taxes	\$ 1,031,831	\$ 0	\$ 0
Municipal Income Taxes	12,888,750	0	0
Intergovernmental Revenues	1,191,820	0	3,003,215
Charges for Services	1,516,077	0	0
Licenses, Permits and Fees	233,210	0	0
Investment Earnings	970,401	0	411
Special Assessments	11,128	598	0
Fines and Forfeitures	382,229	0	0
All Other Revenue	157,835	0	17,745
Total Revenue	18,383,281	598	3,021,371
Expenditures:			
Current:			
Security of Persons and Property	8,170,886	0	0
Public Health and Welfare Services	425,504	0	0
Leisure Time Activities	7,235	0	0
Community Environment	677,139	0	0
Basic Utility Services	0	0	0
Transportation	2,927,715	0	0
General Government	3,864,141	0	0
Capital Outlay	0	0	5,438,731
Debt Service:			
Principal Retirement	0	677,727	0
Interest & Fiscal Charges	0	479,070	12,224
Total Expenditures	16,072,620	1,156,797	5,450,955
Excess (Deficiency) of Revenues Over Expenditures	2,310,661	(1,156,199)	(2,429,584)
Other Financing Sources (Uses):			
Sale of Capital Assets	1,838	0	0
General Obligation Notes Issued	0	0	1,690,000
OPWC Loans Issued	0	0	0
OWDA Loans Issued	0	0	0
Transfers In	0	1,185,022	1,426,915
Transfers Out	(3,075,271)	0	0
Total Other Financing Sources (Uses)	(3,073,433)	1,185,022	3,116,915
Net Change in Fund Balances	(762,772)	28,823	687,331
Restated Fund Balances (Deficits) at Beginning of Year	16,726,800	4,988	(56,173)
Decrease in Inventory Reserve	(111,787)	0	0
Fund Balances End of Year	\$ 15,852,241	\$ 33,811	\$ 631,158

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 1,045,010	\$ 2,076,841
2,626,717	15,515,467
2,659,257	6,854,292
309,989	1,826,066
0	233,210
16,525	987,337
578,042	589,768
166,461	548,690
271,141	446,721
<u>7,673,142</u>	<u>29,078,392</u>
1,844,896	10,015,782
551	426,055
810,479	817,714
664,519	1,341,658
460,504	460,504
1,113,825	4,041,540
1,535,564	5,399,705
5,770,230	11,208,961
169,570	847,297
80,972	572,266
<u>12,451,110</u>	<u>35,131,482</u>
(4,777,968)	(6,053,090)
0	1,838
5,140,000	6,830,000
471,204	471,204
867,686	867,686
5,542,751	8,154,688
(6,029,230)	(9,104,501)
<u>5,992,411</u>	<u>7,220,915</u>
1,214,443	1,167,825
10,933,577	27,609,192
0	(111,787)
<u>\$ 12,148,020</u>	<u>\$ 28,665,230</u>

CITY OF OREGON, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 1,167,825

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 5,151,200

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. (108,847)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (618,316)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (7,320,442)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (16,107)

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. (482,629)

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. 206,319

Change in Net Assets of Governmental Activities \$ (2,020,997)

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,172,100	\$ 1,172,100	\$ 1,031,831	\$ (140,269)
Municipal Income Taxes	13,458,510	13,423,710	12,847,623	(576,087)
Intergovernmental Revenue	1,050,000	1,050,000	1,180,747	130,747
Charges for Services	1,446,755	1,446,755	1,507,829	61,074
Licenses, Permits and Fees	173,900	173,900	233,087	59,187
Investment Earnings	900,000	900,000	994,825	94,825
Special Assessments	9,621	9,621	11,128	1,507
Fines and Forfeitures	506,900	506,900	381,629	(125,271)
All Other Revenues	103,000	103,000	153,766	50,766
Total Revenues	18,820,786	18,785,986	18,342,465	(443,521)
Expenditures:				
Current:				
Security of Persons and Property	8,130,266	8,612,760	8,422,869	189,891
Public Health and Welfare Services	446,800	474,344	425,458	48,886
Leisure Time Activities	7,100	7,100	7,100	0
Community Environment	687,820	730,611	689,419	41,192
Transportation	2,791,253	3,052,501	3,016,825	35,676
General Government	3,827,174	4,065,730	3,885,992	179,738
Total Expenditures	15,890,413	16,943,046	16,447,663	495,383
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,930,373	1,842,940	1,894,802	51,862
Other Financing Sources (Uses):				
Sale of Capital Assets	3,000	3,000	1,838	(1,162)
Transfers Out	(3,278,450)	(3,488,450)	(3,075,271)	413,179
Total Other Financing Sources (Uses):	(3,275,450)	(3,485,450)	(3,073,433)	412,017
Net Change In Fund Balance	(345,077)	(1,642,510)	(1,178,631)	463,879
Fund Balance at Beginning of Year	14,240,840	14,240,840	14,240,840	0
Prior Year Encumbrances	440,990	440,990	440,990	0
Fund Balance at End of Year	\$ 14,336,753	\$ 13,039,320	\$ 13,503,199	\$ 463,879

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Net Assets Proprietary Funds December 31, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 810,370	\$ 718,621	\$ 1,528,991	\$ 721,284
Investments	2,686,276	2,382,139	5,068,415	617,702
Accounts Receivable (Net of Allowances for uncollectibles)	700,495	563,583	1,264,078	2,031
Inventory of Supplies at Cost	525,065	10,012	535,077	0
Prepaid Items	31,993	27,692	59,685	4,200
Total Current Assets	<u>4,754,199</u>	<u>3,702,047</u>	<u>8,456,246</u>	<u>1,345,217</u>
Noncurrent Assets:				
Capital Assets:				
Property, Plant and Equipment	35,046,761	61,400,912	96,447,673	0
Construction in Progress	7,392,218	9,792	7,402,010	0
Less Accumulated Depreciation	(19,221,404)	(36,418,119)	(55,639,523)	0
Total Capital Assets (Net of Accumulated Depr)	<u>23,217,575</u>	<u>24,992,585</u>	<u>48,210,160</u>	<u>0</u>
Total assets	<u>27,971,774</u>	<u>28,694,632</u>	<u>56,666,406</u>	<u>1,345,217</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	59,595	91,031	150,626	400
Accrued Wages and Benefits	104,492	82,562	187,054	0
Accrued Interest Payable	0	4,902	4,902	0
Compensated Absences Payable - Current	145,863	84,856	230,719	0
General Obligation Bonds Payable - Current	0	175,000	175,000	0
OWDA Loans Payable - Current	0	508,827	508,827	0
OPWC Loans Payable - Current	0	9,670	9,670	0
Total Current Liabilities	<u>309,950</u>	<u>956,848</u>	<u>1,266,798</u>	<u>400</u>

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Noncurrent Liabilities:				
Workers Compensation Liability	0	0	0	74,495
General Obligation Bonds Payable	0	1,475,000	1,475,000	0
OWDA Loans Payable	0	7,100,285	7,100,285	0
OPWC Loans Payable	0	145,042	145,042	0
Compensated Absences Payable	304,704	200,194	504,898	0
Total noncurrent liabilities	304,704	8,920,521	9,225,225	74,495
Total Liabilities	614,654	9,877,369	10,492,023	74,895
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	23,217,575	15,578,761	38,796,336	0
Unrestricted	4,139,545	3,238,502	7,378,047	1,270,322
Total Net Assets	\$ 27,357,120	\$ 18,817,263	46,174,383	\$ 1,270,322
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			242,547	
Net Assets of Business-type Activities			\$ 46,416,930	

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 Assets Proprietary Funds For the Year Ended December 31, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 4,476,368	\$ 4,263,358	\$ 8,739,726	\$ 347,875
Other Charges for Services	9,677	0	9,677	0
Other Operating Revenues	3,391	20,758	24,149	123,401
Total Operating Revenues	<u>4,489,436</u>	<u>4,284,116</u>	<u>8,773,552</u>	<u>471,276</u>
Operating Expenses:				
Personal Services	1,978,032	1,457,829	3,435,861	180,141
Contractual Services	1,015,340	948,827	1,964,167	0
Materials and Supplies	737,932	85,674	823,606	0
Utilities	347,164	444,238	791,402	0
Depreciation	617,096	1,668,086	2,285,182	0
Total Operating Expenses	<u>4,695,564</u>	<u>4,604,654</u>	<u>9,300,218</u>	<u>180,141</u>
Operating Income (Loss)	(206,128)	(320,538)	(526,666)	291,135
Non-Operating Revenue (Expenses):				
Interest and Fiscal Charges	0	(389,982)	(389,982)	0
Loss on Sale of Capital Assets	(19,003)	0	(19,003)	0
Total Non-Operating Revenues (Expenses)	<u>(19,003)</u>	<u>(389,982)</u>	<u>(408,985)</u>	<u>0</u>
Income (Loss) Before Contributions and Transfers	(225,131)	(710,520)	(935,651)	291,135
Capital Contributions	3,354,116	0	3,354,116	0
Transfers In	443,230	949,813	1,393,043	0
Transfers Out	0	(443,230)	(443,230)	0
Change in Net Assets	<u>3,572,215</u>	<u>(203,937)</u>	<u>3,368,278</u>	<u>291,135</u>
Restated Net Assets Beginning of Year	23,784,905	19,021,200	42,806,105	979,187
Net Assets End of Year	<u>\$ 27,357,120</u>	<u>\$ 18,817,263</u>	<u>46,174,383</u>	<u>\$ 1,270,322</u>
Change in Net Assets - Total Enterprise Funds			3,368,278	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			84,816	
Change in Net Assets - Business-type Activities			<u>\$ 3,453,094</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, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$4,381,194	\$4,289,943	\$8,671,137	\$475,284
Cash Payments for Goods and Services	(1,999,216)	(1,457,875)	(3,457,091)	0
Cash Payments to Employees	(1,915,381)	(1,429,173)	(3,344,554)	(165,775)
Net Cash Provided by Operating Activities	466,597	1,402,895	1,869,492	309,509
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	443,230	949,813	1,393,043	0
Transfers Out to Other Funds	0	(443,230)	(443,230)	0
Net Cash Provided by Noncapital Financing Activities	443,230	506,583	949,813	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(239,144)	0	(239,144)	0
Principal Paid on General Obligation Bonds	0	(170,000)	(170,000)	0
Principal Paid on				
Ohio Water Development Authority Loans	0	(782,887)	(782,887)	0
Principal Paid on				
Ohio Public Works Commission Loan	0	(4,835)	(4,835)	0
Interest Paid on All Debt	0	(390,009)	(390,009)	0
Net Cash Used for Capital and Related Financing Activities	(239,144)	(1,347,731)	(1,586,875)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	0	0	83,887
Purchase of Investments	(165,337)	(117,177)	(282,514)	0
Net Cash Provided by (Used) for Investing Activities	(165,337)	(117,177)	(282,514)	83,887
Net Increase in Cash and Cash Equivalents	505,346	444,570	949,916	393,396
Cash and Cash Equivalents at Beginning of Year	305,024	274,051	579,075	327,888
Cash and Cash Equivalents at End of Year	\$810,370	\$718,621	\$1,528,991	\$721,284

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income (Loss)	(\$206,128)	(\$320,538)	(\$526,666)	\$291,135
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	617,096	1,668,086	2,285,182	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(108,242)	5,827	(102,415)	4,008
Decrease (Increase) in Inventory	96,168	(3,245)	92,923	0
Decrease (Increase) in Prepaid Items	(3,588)	2,739	(849)	0
Increase in Accounts Payable	8,640	21,370	30,010	400
Increase in Accrued Wages and Benefits	9,439	8,037	17,476	0
Increase in Workers' Compensation Liability	0	0	0	13,966
Increase in Compensated Absences	53,212	20,619	73,831	0
Total Adjustments	<u>672,725</u>	<u>1,723,433</u>	<u>2,396,158</u>	<u>18,374</u>
Net Cash Provided by Operating Activities	<u>\$466,597</u>	<u>\$1,402,895</u>	<u>\$1,869,492</u>	<u>\$309,509</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2010, the Sewer Fund had an outstanding liability of \$47,617 for the purchase of certain capital assets.

As of December 31, 2010, the Water Fund received capital assets from various sources in the amount of \$3,354,116.

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2010***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 83,062
Total Assets	<u>\$ 83,062</u>
Liabilities:	
Intergovernmental Payable	69,596
Due to Others	<u>13,466</u>
Total Liabilities	<u>\$ 83,062</u>

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

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

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

B. Basis of Presentation - Fund Accounting

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

Proprietary Funds

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

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

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The City has no trust funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on a full accrual basis of accounting. The City has five agency funds. These funds are used to account for monies received by the City in situations where the City's role is purely custodial in nature. The five funds are the Unclaimed Monies Fund, which is used to account for unclaimed monies, the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Ohio Board of Building Standards Assessment Fund, which accounts for assessed funds as required by the Ohio Revised Code, the Income Tax Joint District Fund, which accounts for income tax funds to be distributed between the City of Oregon and the City of Northwood and the Lucas County Water Collection Fund, which accounts for a portion of the revenue from Lucas County users of the City of Oregon's water.

C. Basis of Presentation – Financial Statements

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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

D. Basis of Accounting

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2010, but which are not intended to finance 2010 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. 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 2010.

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. 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 the year several supplemental appropriations were necessary to budget the use of contingency funds, major capital improvement projects and intergovernmental grant proceeds. Administrative control is maintained through the establishment of more detailed line-item budgets.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$762,772)
Increase (Decrease):	
Accrued Revenues at December 31, 2010 received during 2011	(2,142,448)
Accrued Revenues at December 31, 2009 received during 2010	2,209,580
Accrued Expenditures at December 31, 2010 paid during 2011	866,130
Accrued Expenditures at December 31, 2009 paid during 2010	(796,628)
2009 Prepays for 2010	104,802
2010 Prepays for 2011	(101,199)
Outstanding Encumbrances	<u>(556,096)</u>
Budget Basis	<u><u>(\$1,178,631)</u></u>

F. Cash and Cash Equivalents

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents (Continued)

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the Oregon Municipal Code. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2010. 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, 2010.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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 Assets and in the respective funds.

3. Depreciation

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

M. Net Assets

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

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

N. Pensions

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

O. Interfund Activity

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

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

Q. Estimates

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

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CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 2 – PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2009, it was determined that there was an error in the reporting of capital assets, and error in the posting of revenue and an error in the reporting of investments. The adjustments had the following effect on the following fund balances/net assets balances:

	Street Construction Fund	Other Governmental Funds	Water Fund	Sewer Fund
Fund Balance/Net Assets Balance December 31, 2009 as reported	(\$1,564,925)	\$13,851,589	\$16,191,722	\$33,836,263
Adjustments:				
Correction of Accounting Error for Capital Assets	0	0	7,593,183	(14,815,063)
Correction of Posting Error of Revenue	1,508,752	(1,508,752)	0	0
Correction of Accounting Error for Investments	0	(1,409,260)	0	0
Fund Balance/Net Assets Balance December 31, 2009 as restated	<u>(\$56,173)</u>	<u>\$10,933,577</u>	<u>\$23,784,905</u>	<u>\$19,021,200</u>

The prior period adjustment had the following effect on the governmental activities and the business-type activities beginning net assets:

	Governmental Activities	Business-Type Activities
Net Assets December 31, 2009 as reported	\$56,823,027	\$50,185,716
Adjustments:		
Correction of Accounting Error for Capital Assets	640,981	(7,221,880)
Net Assets December 31, 2009 as restated	<u>\$57,464,008</u>	<u>\$42,963,836</u>

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at December 31, 2010 of \$52,670 in the Fire Fund, \$35,255 in the E.M.S. Operating Fund (special revenue funds) and \$57,278 in the Water Project Fund (capital project fund) arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. Deficits do not exist under the cash basis of accounting. The general fund provides operating transfers when cash is required, not when accruals occur.

B. Negative Fund Cash Balance

The following fund had a negative fund cash balance contrary to Ohio Revised Code Section 5705.10:

	<u>Amount</u>
<u>Capital Projects Fund</u>	
Street Construction	(\$263,481)

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Delinquent Income Tax Revenue	\$480,787
Delinquent Property Tax Revenue	287,676
Shared Revenues	1,171,410
Interest Revenues	214,554
All Other Revenue	178,894
Special Assessment Revenue	<u>5,163,742</u>
	\$7,497,063

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$190,500)
General Obligation Bonds Payable	(576,986)
OPWC Loans Payable	(2,185,028)
OWDA Loans Payable	(10,872,823)
Promissory Note Payable	(107,641)
Accrued Pension Liability	(50,222)
Accrued Interest on Long-Term Debt	(18,070)
Long-Term Notes Payable	(6,830,000)
Compensated Absences Payable	<u>(2,643,553)</u>
	(\$23,474,823)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

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

Capital Outlay	\$7,133,247
Depreciation Expense	<u>(1,982,047)</u>
	\$5,151,200

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$68,515
Increase in Delinquent Property Tax	53,962
Increase in Shared Revenue	199,159
Decrease in All Other Revenues	(11,161)
Decrease in Interest Revenue	(287,038)
Decrease in Special Assessment Revenue	<u>(641,753)</u>
	(\$618,316)

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$370,842)
Decrease in supplies inventory	<u>(111,787)</u>
	(\$482,629)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any 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 \$19,679,452 and the bank balance was \$20,560,294. The Federal Deposit Insurance Corporation (FDIC) covered \$764,264 of the bank balance and \$19,796,030 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$19,796,030</u>
Total Balance	<u><u>\$19,796,030</u></u>

Investment earnings of \$579,692 earned by other funds were credited to the General Fund as required by local statute.

B. Investments

The City's investments at December 31, 2010 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
FHLB	\$5,015,485	AAA ¹ / Aaa ²	\$0	\$504,695	\$4,510,790
FHLMC	5,439,745	AAA ¹ / Aaa ²	0	0	5,439,745
FNMA	3,509,535	AAA ¹ / Aaa ²	0	0	3,509,535
FFCB	995,830	AAA ¹ / Aaa ²	0	0	995,830
STAR Ohio	193,867	AAAm ¹	193,867	0	0
Total Investments	<u>\$15,154,462</u>		<u>\$193,867</u>	<u>\$504,695</u>	<u>\$14,455,900</u>

¹ Standard & Poor's

² Moody's Investor Service

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

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

Custodial Credit Risk – The City’s investments in FHLB, FHLMC, FNMA and FFCB securities in the amounts of \$5,015,485, \$5,439,745, \$3,509,535 and \$995,830, 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, 33% are FHLB, 36% are FHLMC, 23% are FNMA, 7% are FFCB and 1% is Star Ohio.

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$9,786,143	\$25,047,771
Certificates of Deposit (with maturities of more than 3 months)	10,087,176	(10,087,176)
Investments:		
STAR Ohio	<u>(193,867)</u>	<u>193,867</u>
Per Footnote	<u>\$19,679,452</u>	<u>\$15,154,462</u>

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2006 and the equalization adjustment was completed in 2009. Real property taxes are payable annually or semi-annually. The first payment is due January 31; the remainder is payable by July 31.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of January 1, 2009. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. This percentage was reduced to 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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

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

The full property tax rate for all City operations for the year ended December 31, 2010 was \$3.50 per \$1,000 of assessed value. The assessed value upon which the 2010 tax receipts were based was \$502,049,580. This amount constitutes \$459,046,815 in real property assessed value, \$42,388,090 in public utility assessed value and \$614,675 in tangible personal property assessed value.

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 6 - TAXES (Continued)

B. Income Tax

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2010 consisted of taxes, interest, loans, accounts receivable, special assessments and intergovernmental receivables.

NOTE 8 - TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2010:

	Transfers In:						Total
	Special Assessment Bond Retirement Fund	Street Construction Fund	Other Governmental Funds	Water Fund	Sewer Fund		
Transfers Out:							
General Fund	\$0	\$0	\$3,075,271	\$0	\$0		\$3,075,271
Other Governmental Funds	1,185,022	1,426,915	2,467,480	0	949,813		6,029,230
Sewer Fund	0	0	0	443,230	0		443,230
	<u>\$1,185,022</u>	<u>\$1,426,915</u>	<u>\$5,542,751</u>	<u>\$443,230</u>	<u>\$949,813</u>		<u>\$9,547,731</u>

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

Transfers of \$8,597,918 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, 2010***

NOTE 9 - INTERFUND LOANS RECEIVABLE AND PAYABLE

Interfund loan balances at December 31, 2010 consist of the following receivables and payables:

Fund	Receivable	Payable
General Fund	\$263,481	\$0
Street Construction Fund	0	263,481
Totals	<u>\$263,481</u>	<u>\$263,481</u>

The interfund loans receivable/payable are amounts that have been advanced from one fund to another and will be repaid during the following reporting period.

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2010:

<i>Historical Cost:</i>	Restated			December 31,
Class	December 31, 2009	Additions	Deletions	2010
<i>Capital assets not being depreciated:</i>				
Land	\$4,847,274	\$0	\$0	\$4,847,274
Construction in Progress	3,201,211	6,107,442	(1,344,772)	7,963,881
Subtotal	8,048,485	6,107,442	(1,344,772)	12,811,155
<i>Capital assets being depreciated:</i>				
Land Improvements	3,156,370	40,661	(119,324)	3,077,707
Buildings and Improvements	7,621,741	67,579	0	7,689,320
Machinery and Equipment	4,029,931	27,364	(56,020)	4,001,275
Vehicles	6,212,320	451,912	(341,986)	6,322,246
Infrastructure	41,298,734	1,783,061	(11,992)	43,069,803
Subtotal	62,319,096	2,370,577	(529,322)	64,160,351
Total Cost	\$70,367,581	\$8,478,019	(\$1,874,094)	\$76,971,506
<i>Accumulated Depreciation:</i>				
Class	December 31, 2009	Additions	Deletions	December 31, 2010
Land Improvements	(\$1,401,598)	(\$111,218)	\$0	(\$1,512,816)
Buildings and Improvements	(4,746,798)	(184,906)	0	(4,931,704)
Machinery and Equipment	(2,745,917)	(181,435)	56,020	(2,871,332)
Vehicles	(4,132,081)	(480,967)	338,790	(4,274,258)
Infrastructure	(20,655,774)	(1,023,521)	25,665	(21,653,630)
Total Depreciation	(\$33,682,168)	(\$1,982,047) *	\$420,475	(\$35,243,740)
<i>Net Value:</i>	\$36,685,413			\$41,727,766

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$366,829
Public Health and Welfare Services	20,110
Leisure Time Activities	139,179
Community Environment	16,996
Transportation	1,299,976
General Government	138,957
Total Depreciation Expense	\$1,982,047

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 10 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2010:

Historical Cost:

Class	Restated December 31, 2009	Additions	Deletions	December 31, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$756,016	\$0	\$0	\$756,016
Construction in Progress	4,345,107	3,491,161	(434,258)	7,402,010
Subtotal	5,101,123	3,491,161	(434,258)	8,158,026
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	79,756,586	527,290	(49,844)	80,234,032
Machinery and Equipment	14,705,636	34,809	(78,899)	14,661,546
Vehicles	797,204	21,875	(23,000)	796,079
Subtotal	95,259,426	583,974	(151,743)	95,691,657
Total Cost	\$100,360,549	\$4,075,135	(\$586,001)	\$103,849,683

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings and Distributions	(\$37,288,192)	(\$1,567,465)	\$0	(\$38,855,657)
Machinery and Equipment	(15,420,664)	(683,237)	109,740	(15,994,161)
Vehicles	(778,225)	(34,480)	23,000	(789,705)
Total Depreciation	(\$53,487,081)	(\$2,285,182)	\$132,740	(\$55,639,523)
<i>Net Value:</i>	\$46,873,468			\$48,210,160

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 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 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through February 28, 2010, and 9.77% from March 1 through December 31, 2010. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2010, 2009, and 2008 were \$1,200,753, \$1,158,060 and \$1,130,364, respectively, or 90.32% of the required contributions for 2010 and 100% of the required contributions for 2009 and 2008. The unpaid contribution to fund pension obligations for 2010, in the amount of \$116,230, is recorded as a liability within the respective funds.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 2010, 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, 2010, 2009, and 2008 were \$630,527, \$830,760 and \$615,388 for police and \$207,158, \$209,046 and \$200,779 for firefighters, respectively, or 73.54% and 75.69%, respectively of the required contributions for 2010 and 100% of the required contributions for 2009 and 2008. The unpaid contributions to fund pension obligations for 2010, in the amounts of \$166,811 for police and \$50,366 for fire, have been recorded as a liability within the respective funds.

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.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. 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, 2010, 2009, and 2008 were \$436,229, \$485,971 and \$565,182, respectively, or 90.32% of the required contributions for 2010 and 100% of the required contributions for 2009 and 2008.

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 2010, 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, 2010, 2009, and 2008 were \$218,259, \$287,571 and \$213,019 for police and \$58,263, \$58,794 and \$56,469 for firefighters, respectively, or 73.54% and 75.69% respectively, of the required contributions for 2010 and 100% of the required contributions for 2009 and 2008.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010, the City's accumulated, unpaid compensated absences amounted to \$3,379,170, of which \$2,643,553 is recorded as a liability of the Governmental Activities and \$735,617 is recorded as a liability of the Business-Type Activities.

NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2010 was as follows:

	Restated Balance December 31, 2009	Issued	(Retired)	Balance December 31, 2010	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
General Obligation Bonds:					
4.67% Land Acquisition	\$666,932	\$0	(\$89,946)	\$576,986	\$94,243
Special Assessment Bonds Payable with Governmental Commitment:					
6.95% Wynnscape/Lallendorf	62,900	0	(30,400)	32,500	32,500
5.25% York Street Waterline	177,000	0	(19,000)	158,000	19,000
Total Special Assessment Bonds Payable with Governmental Commitment	239,900	0	(49,400)	190,500	51,500

(Continued)

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 14 - LONG-TERM DEBT (Continued)

	Restated Balance December 31, 2009	Issued	(Retired)	Balance December 31, 2010	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
Promissory Note Payable:					
4.22% Circuit 715 Lighting	126,602	0	(18,961)	107,641	19,769
Ohio Public Works Commission Loans:					
0.00% Zebra Mussel Control - Raw Water Intake	185,626	0	(7,735)	177,891	15,470
0.00% Water Plant Renovations - Phase I	258,278	0	(9,934)	248,344	19,867
0.00% Water Treatment Plant Improvements - Phase II	271,458	0	(10,053)	261,405	20,108
0.00% Bayshore Bridge	8,333	0	(1,390)	6,943	2,779
0.00% Water Treatment Plant Improvements - Phase III	350,000	0	(12,500)	337,500	25,000
0.00% Water Treatment Plant Improvements - Phase IV	460,500	0	(15,350)	445,150	30,700
0.00% Water Treatment Plant Improvements - Phase V	67,207	0	(2,101)	65,106	4,201
0.00% South Shore Park Waterline - Phase II	55,992	0	(1,600)	54,392	3,200
0.00% Elevated Storage Tank	117,093	271,204	0	388,297	22,500
0.00% Sanitary Sewer Rehabilitation	0	200,000	0	200,000	5,000
Total Ohio Public Works Commission Loans	1,774,487	471,204	(60,663)	2,185,028	148,825
Ohio Water Development Authority Loans:					
2.00% Oakdale Sanitary Sewer	4,843	0	(4,843)	0	0
4.28% Waterplant Renovation - Phase I & II	6,929,726	0	(452,637)	6,477,089	427,217
3.65% Waterplant Renovation - Phase III	1,525,492	0	(94,464)	1,431,028	97,943
3.52% Elevated Storage Tank	2,173,403	867,686	(76,383)	2,964,706	159,582
Total Ohio Water Development Authority Loans Payable	10,633,464	867,686	(628,327)	10,872,823	684,742
Long-Term Notes Payable:					
0.78% Wheeling Street Improvements	0	1,690,000	0	1,690,000	1,690,000
0.78% Wheeling Street Improvements	0	2,140,000	0	2,140,000	2,140,000
0.76% Big Ditch/Stadium Improvements	0	3,000,000	0	3,000,000	3,000,000
Total Long-Term Notes Payable	0	6,830,000	0	6,830,000	6,830,000
Compensated Absences	2,272,711	2,643,553	(2,272,711)	2,643,553	889,867
Workers Compensation Liability	60,529	13,966	0	74,495	0
Police and Firemen's Pension Accrued Liability	51,373	0	(1,151)	50,222	1,201
Total Governmental Activities Long-Term Debt	\$15,825,998	\$10,826,409	(\$3,121,159)	\$23,531,248	\$8,720,147

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 14 - LONG-TERM DEBT (Continued)

	Balance December 31, 2009	Issued	(Retired)	Balance December 31, 2010	Amount Due Within One Year
Business-Type Long-Term Debt:					
General Obligation Bond:					
3.25% Sewer Improvement	\$1,820,000	\$0	(\$170,000)	\$1,650,000	\$175,000
Ohio Public Works Commission Loan:					
0.00% Eastwyck Sanitary Pump Station	159,547	0	(4,835)	154,712	9,670
Ohio Water Development Authority Loans:					
7.51% Bayshore Sewer (1063)	291,842	0	(291,842)	0	0
2.20% North Oregon Sewer (SRFA)	173,951	0	(33,284)	140,667	34,020
4.80% North Oregon Sewer (SRFB)	173,443	0	(31,478)	141,965	33,007
3.80% Seaman Road Trunk Sewer - Phase I	1,055,981	0	(70,941)	985,040	73,663
3.95% Seaman Road Trunk Sewer - Phase II	1,742,896	0	(99,945)	1,642,951	103,932
3.50% Stadium Road Sewer	2,442,139	0	(131,868)	2,310,271	136,524
3.35% Pickle Road Sewer	2,047,797	0	(102,703)	1,945,094	106,172
3.25% Coy Road Sewer	463,950	0	(20,826)	443,124	21,509
Total Ohio Water Development Authority Loans	8,391,999	0	(782,887)	7,609,112	508,827
Compensated Absences	661,786	735,617	(661,786)	735,617	230,719
Total Business-Type Activities Long-Term Debt	\$11,033,332	\$735,617	(\$1,619,508)	\$10,149,441	\$924,216

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 14 - LONG-TERM DEBT (Continued)

A. Special Assessments

The principal amount of the City's special assessment debt outstanding at December 31, 2010 of \$190,500, 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 \$33,811 in the Special Assessment Bond Retirement Fund at December 31, 2010 is reserved for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$78,522.

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, 2010 was \$50,222 in principal and \$31,027 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt.

C. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2010, follows:

Years	<u>Governmental Activities</u>					
	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$94,243	\$26,145	\$51,500	\$10,554	\$19,769	\$4,336
2012	98,625	21,763	20,000	7,298	20,612	3,493
2013	103,414	16,974	21,000	6,248	21,491	2,614
2014	108,369	12,019	23,000	5,145	22,407	1,698
2015	113,530	6,858	24,000	3,938	23,362	742
2016-2020	58,805	1,388	51,000	4,043	0	0
Totals	<u>\$576,986</u>	<u>\$85,147</u>	<u>\$190,500</u>	<u>\$37,226</u>	<u>\$107,641</u>	<u>\$12,883</u>

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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
2011	\$684,742	\$479,761	\$148,825	\$0	\$1,201	\$2,122
2012	742,430	450,157	153,823	0	1,252	2,070
2013	767,481	419,340	151,044	0	1,306	2,016
2014	793,592	387,257	153,823	0	1,362	1,960
2015	820,807	353,859	153,823	0	1,421	1,902
2016-2020	4,554,321	1,218,395	958,811	0	8,073	8,540
2021-2025	1,734,616	393,182	409,879	0	9,961	6,651
2026-2030	774,834	114,114	50,000	0	12,281	4,318
2031-2035	0	0	5,000	0	13,365	1,448
Totals	<u>\$10,872,823</u>	<u>\$3,816,065</u>	<u>\$2,185,028</u>	<u>\$0</u>	<u>\$50,222</u>	<u>\$31,027</u>

Business-Type Activities

Years	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$175,000	\$75,908	\$508,827	\$282,981	\$9,670	\$0
2012	180,000	67,945	547,490	260,583	9,670	0
2013	185,000	59,755	567,314	240,758	9,670	0
2014	205,000	51,338	587,875	220,198	9,670	0
2015	215,000	41,856	532,154	199,560	9,670	0
2016-2020	690,000	64,751	2,965,500	693,068	48,350	0
2021-2025	0	0	1,865,068	166,472	48,350	0
2026	0	0	34,884	853	9,662	0
Totals	<u>\$1,650,000</u>	<u>\$361,553</u>	<u>\$7,609,112</u>	<u>\$2,064,473</u>	<u>\$154,712</u>	<u>\$0</u>

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 15 - 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, 2010:

	Maturity Date	Balance December 31, 2009	Issued (Retired)	Balance December 31, 2010
Capital Projects Notes Payable:				
1.05% Wheeling Street Improvements	2010	\$1,510,000	(\$1,510,000)	\$0
1.05% Wheeling Street Improvements	2010	1,690,000	(1,690,000)	0
1.05% Big Ditch	2010	2,500,000	(2,500,000)	0
1.05% Aerial Pumper	2010	400,000	(400,000)	0
0.78% Aerial Pumper	2011	0	300,000	300,000
Total Capital Projects Notes Payable		<u>\$6,100,000</u>	<u>(\$5,800,000)</u>	<u>\$300,000</u>

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2010, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Coy/Starr Intersection Improvements	\$84,608	June 2011
Elevated Water Tank	277,985	June 2011
Otter Creek Road Improvements	377,040	June 2011
Water Plant - Generator Improvement	524,998	June 2011
Trunk Watermain Project	1,460,529	August 2011
Big Ditch (Stadium Road) Enclosure	2,097,565	September 2011
Wheeling Street Improvements	6,363,923	December 2011
Total	<u>\$11,186,648</u>	

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 17 - INSURANCE AND RISK MANAGEMENT

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

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

A. Self Insurance Fund

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2008	\$0	\$28,330	(\$28,330)	\$0
2009	0	26,005	(26,005)	0
2010	0	31,157	(31,157)	0

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

NOTE 17 - 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 2010. 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>
2008	\$0	\$50,313	\$0	\$50,313
2009	50,313	77,541	(67,325)	60,529
2010	60,529	123,809	(109,843)	74,495

NOTE 18 - CONTINGENCIES

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

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

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the City has implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 52, *Accounting for Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

The implementation of GASB Statements No. 51, No. 52, No. 53, No. 55, No. 56 and No. 58 did not result in any change to the City's financial statements.

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

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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 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, as of and for the year ended December 31, 2010, which collectively comprise the City of Oregon, Ohio's basic financial statements and have issued our report thereon dated May 25, 2011, wherein we noted that the City restated fund balance and net assets due to a correction in the reporting of capital assets in the Enterprise Funds, a correction in reporting investments in Other Governmental Funds, and a reclassification of a portion of revenue from Other Governmental Funds to the Street Construction Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity'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 and are listed as **Finding 2010-001** and **Finding 2010-003**.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in accompanying Schedule of Findings and Questioned Costs to be a significant deficiency and is it listed as **Finding 2010-002**.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oregon, Ohio's financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2010-004**.

We noted certain matters that we reported to the management of the City of Oregon, Ohio, in a separate letter dated May 25, 2011.

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

This report is intended solely for the information and use of management, members of City Council, members of the Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

May 25, 2011

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

Certified Public Accountants

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Oregon, Lucas County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Oregon, Ohio's major federal programs for the year ended December 31, 2010. The City of Oregon, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the City of Oregon, Ohio's management. Our responsibility is to express an opinion on the City of Oregon, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination of the City of Oregon, Ohio's compliance with those requirements.

In our opinion, the City of Oregon, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the City of Oregon, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Oregon, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of City Council, members of the Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

May 25, 2011

CITY OF OREGON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Lucas County</i>			
Community Development Block Grants/Entitlement Grants Neighborhood Stabilization Program Grant	14.218	n/a	\$ 89,478
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grants/State's Program	14.228	A-F-09-2DB-1	59,560
Community Development Block Grants/State's Program	14.228	A-F-10-2DB-1	6,052
<i>Total CFDA #14.228</i>			<u>65,612</u>
HOME Investment Partnerships Program			
HOME Investment Partnerships Program	14.239	A-C-07-161-1&2	79,956
HOME Investment Partnerships Program	14.239	A-C-10-2DB-1&2	31,284
<i>Total CFDA #14.239</i>			<u>111,240</u>
Total U.S. Department of Housing and Urban Development			<u>266,330</u>
<u>U.S. Department of the Interior</u>			
<i>Passed through Fish and Wildlife Service</i>			
Coastal Program			
Wolf Creek Riparian Corridor	15.630	n/a	11,130
Total U.S. Department of the Interior			<u>11,130</u>
<u>U.S. Department of Justice</u>			
<i>Direct Program</i>			
Bullet Proof Vest Partnership Program	16.607	n/a	1,396
<i>Passed through Criminal Justice Coordinating Committee</i>			
Edward Byrne Memorial Justice Assistance Grant (JAG) - ARRA	16.804	2009-RA-LE-9020	55,594
Total U.S. Department of Justice			<u>56,990</u>
<u>U.S. Department of Transportation</u>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grant-Safe Routes to School Program	20.205	PID84094	1,170
Highway Planning and Construction Grant-CMAQ Intersection Upgrade	20.205	PID82133	321,050
Highway Planning and Construction Grant-Luc-Pearson Park Conn Bikeway	20.205	PID24590	276,141
Highway Planning and Construction Grant-LucSafe Kids Non Infra SRTS	20.205	PID86734	20,415
Highway Planning and Construction Grant-Luc-Coy/Starr - ARRA	20.205	PID82133	194,201
Highway Planning and Construction Grant-Otter Creek Rd. Imp. - ARRA	20.205	PID86352	2,484,635
<i>Total CFDA #20.205</i>			<u>3,297,612</u>
State and Community Highway Safety			
Drunk Driving Prevention Incentive Grants - 2010	20.600	n/a	24,800
Drunk Driving Prevention Incentive Grants - 2011	20.600	n/a	831
<i>Total CFDA #20.600</i>			<u>25,631</u>
Total U.S. Department of Transportation			<u>3,323,243</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Ohio Emergency Management Agency</i>			
Buffer Zone Protection Program (BZPP)	97.078	2007-BZ-T7-0048	2,096
Total U.S. Department of Homeland Security			<u>2,096</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,659,789</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, 2010

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.

**CITY OF OREGON, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & §.505
 DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
2010(ii)	Were there any other significant deficiencies identified not considered to be material weaknesses reported at the financial statement level (GAGAS)?	Yes
2010(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
2010(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2010(iv)	Were there any other significant internal control weaknesses reported for major federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinions	Unqualified
2010(vi)	Are there any audit findings under .510?	No
2010(vii)	Major Programs (list): Highway Planning and Construction Grant - CFDA #20.205 ARRA - Highway Planning and Construction Grant - CFDA #20.205	
2010(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2010(ix)	Low Risk Auditee?	No

CITY OF OREGON, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2010
(CONTINUED)

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

Finding No. 2010-001 - 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, the accounts are not reconciled to the Fund Balance Report. As of December, 31, 2010, the City's bank account reconciliations exceeded the Fund Balance Report by \$147,238.

Cause/Effect

Bank account reconciliations were not reconciled to the Fund Balance Report. During the year, the reconciliations were incomplete since the unreconciled difference were not investigated. 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 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. 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.

CITY OF OREGON, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2010
(CONTINUED)

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

Finding No. 2010-002 - Significant Deficiency - Capital Assets

Statement of Condition/Criteria

During our review of capital assets, we noted that items considered construction-in-progress have been completed but are still being recorded as construction-in-progress. We noted that the detailed capital assets list was not reconciled to the financial statements. We also noted that the City does not consistently apply depreciation methods and useful lives to each capital asset.

Cause/Effect

The City's detail capital assets listing does not agree with amounts reporting in the financial statements. Failure to maintain or update capital assets when construction-in-progress is completed eliminates the ability of the city to accurately present the value of its capital assets. This could result in the overstatement or understatement of capital assets, related accumulated depreciation, depreciation expense, and investment in capital assets, net of related debt.

Recommendation

We recommend that when any and all construction-in-progress is completed, it should immediately be deleted from the CIP list and added to the capital asset listing. When items are added to the capital asset listing, they should be accurately listed with the correct useful life and depreciated accurately and in accordance with City Policy regarding depreciation and useful life. We also recommend that the City take a physical inventory of its capital assets on a periodic basis, such as every two to three years. This will help the City ensure that capital assets are properly stated, that depreciation is being calculated accurately, and that only active, in-service machinery and equipment is included on the City's financial statements

City's Response

The City will take the necessary steps to modify its process and record-keeping in regard to capital assets and construction-in-process. In future years, construction-in-process will only include those projects that have not been completed. Once projects are completed, they will be moved into the capital asset system and depreciated in accordance with City policy.

CITY OF OREGON, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2010
(CONTINUED)

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

Finding 2010-003 - Material Weakness - Improper Recording of Internal Borrowings

Statement of Condition/Criteria

During our audit, we noted that the City recorded investments and debt through internal loans for special assessment projects. We also noted that the investments and expenses of the projects originated in the same fund. These are not internal loans between funds since the fund that created the asset is also reporting the asset.

Cause/Effect

The City improperly recorded internal loans. The investments and long-term debt were overstated in the financial statements.

Recommendation

We recommend that the City review the criteria relating to internal loans and related journal entries.

We noted that the City corrected this error in the current financial statements by eliminating the investment and long-term debt.

City's Response

The City has been recording its internal loans in the same manner since 1993 when the Lallendorf Sanitary Sewer Project and the Dustin Lighting Project were internally financed. In the future, the City will record these transactions as required.

CITY OF OREGON, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2010
(CONTINUED)

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

Finding 2010-004 - Material Noncompliance - Negative Fund Balance

Statement of Condition/Criteria

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

Cause/Effect

At December 31, 2010, the Street Construction Fund had a negative balance of \$263,481.

Recommendation

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

City's Response

While Fund 359, the Street Construction Fund, had a negative balance at the end of 2010, the City had an outstanding receivable in Fund 359 consisting of ARRA funds and ODOT funds, in the amount of \$895,439.68. The receivable was received and recorded in January 2011. The receivable was funding for the Otter Creek Road Project and the Coy/Starr Intersection Project.

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, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Longer Valid:
2009-001	Citation ORC 5905.10 Negative Fund Balance	No	Not Corrected; Repeated as Finding 2010-004.

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



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
JULY 26, 2011