

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

*Prepared by:*

**Finance Department  
Kathleen Hufford,  
Director**





# Dave Yost • Auditor of State

Honorable Mayor and Members of City Council  
City of Oregon  
5330 Seaman Road  
Oregon, Ohio 43616

We have reviewed the *Independent Auditors' Report* of the City of Oregon, Lucas County, prepared by Rehmann Robson, for the audit period January 1, 2016 through December 31, 2016. 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.

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Dave Yost  
Auditor of State

September 20, 2017

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**INDEPENDENT AUDITORS' REPORT**

June 27, 2017

Honorable Mayor and  
Members of the City Council  
City of Oregon, Ohio**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Oregon, Ohio* (the "City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Independent Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oregon, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows 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.

### *Restatement*

As discussed in Note 2 to the financial statements, the beginning net position of governmental activities, business-type activities and water fund, as well as the beginning fund balance of the nonmajor governmental funds, were restated to correct a misstatement of manuscript debt improperly recorded during the prior audit. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the City of Oregon, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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# **CITY OF OREGON, OHIO**

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## ***Management's Discussion and Analysis For the Year Ended December 31, 2016***

***Unaudited***

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The discussion and analysis of the City of Oregon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2016. 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 2016 are as follows:

- ❑ In total, net position increased \$7,689,994. Net position of governmental activities increased \$866,163, which represents a slight increase from 2015. Net position of business-type activities increased \$6,823,831 from 2015.
- ❑ General revenues accounted for \$27 million in revenue or 53% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for the remaining 47% of total revenues of \$51,563,501.
- ❑ The City had \$30.5 million in expenses related to governmental activities; only \$6.9 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$24 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$23.5 million in revenues and \$18.9 million in expenditures. The general fund's fund balance decreased \$4,104,024 to \$30,067,294.
- ❑ Net position for enterprise funds on an accrual basis increased by \$6,817,271.

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

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

**Government-wide Statements**

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

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

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

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

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer services are reported as business-type activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

**Governmental Funds** – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance projects. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2016

Unaudited

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	Restated 2015	2016	Restated 2015	2016	2015
	Current and other assets	\$51,976,644	\$58,916,899	\$15,519,785	\$22,335,940	\$67,496,429
Capital assets, Net	70,936,499	63,201,092	66,486,909	48,521,036	137,423,408	111,722,128
Total assets	<u>122,913,143</u>	<u>122,117,991</u>	<u>82,006,694</u>	<u>70,856,976</u>	<u>204,919,837</u>	<u>192,974,967</u>
Deferred outflows of resources	<u>6,231,382</u>	<u>2,380,363</u>	<u>1,378,595</u>	<u>535,007</u>	<u>7,609,977</u>	<u>2,915,370</u>
Net pension liability	21,521,570	16,744,577	3,522,721	2,510,815	25,044,291	19,255,392
Other long-term liabilities	11,583,830	11,942,239	27,911,466	25,494,360	39,495,296	37,436,599
Other liabilities	1,497,883	2,307,130	3,912,881	2,196,301	5,410,764	4,503,431
Total liabilities	<u>34,603,283</u>	<u>30,993,946</u>	<u>35,347,068</u>	<u>30,201,476</u>	<u>69,950,351</u>	<u>61,195,422</u>
Deferred inflows of resources	<u>1,275,498</u>	<u>1,104,827</u>	<u>68,065</u>	<u>44,182</u>	<u>1,343,563</u>	<u>1,149,009</u>
Net position (deficit):						
Net investment in capital assets	62,524,220	54,158,287	39,489,571	24,961,103	102,013,791	79,119,390
Restricted	15,785,714	16,334,471	0	0	15,785,714	16,334,471
Unrestricted (deficit)	<u>14,955,810</u>	<u>21,906,823</u>	<u>8,480,585</u>	<u>16,185,222</u>	<u>23,436,395</u>	<u>38,092,045</u>
Total net deficit	<u>\$93,265,744</u>	<u>\$92,399,581</u>	<u>\$47,970,156</u>	<u>\$41,146,325</u>	<u>\$141,235,900</u>	<u>\$133,545,906</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2016***

***Unaudited***

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2016***

***Unaudited***

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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

At fiscal year-end for governmental activities, capital assets represented 58% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at December 31, 2016 was \$62,524,220. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$15,785,714, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the City has approximately \$5 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

# CITY OF OREGON, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2016

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$3,213,880	\$2,427,953	\$15,941,166	\$10,135,491	\$19,155,046	\$12,563,444
Operating Grants and Contributions	1,316,880	1,185,232	0	0	1,316,880	1,185,232
Capital Grants and Contributions	2,383,126	2,211,952	1,652,208	8,374,284	4,035,334	10,586,236
General Revenues:						
Property Taxes	995,271	944,157	0	0	995,271	944,157
Payments in Lieu of Taxes	363,970	388,075	0	0	363,970	388,075
Income Taxes	22,304,294	19,176,144	0	0	22,304,294	19,176,144
Shared Revenues	1,758,986	788,221	0	0	1,758,986	788,221
Investment Earnings	332,988	901,466	23,180	23,699	356,168	925,165
Miscellaneous	1,364,794	855,540	0	0	1,364,794	855,540
Total Revenues	<u>34,034,189</u>	<u>28,878,740</u>	<u>17,616,554</u>	<u>18,533,474</u>	<u>51,650,743</u>	<u>47,412,214</u>
<b>Program Expenses</b>						
Security of Persons and Property	14,120,449	12,250,917	0	0	14,120,449	12,250,917
Public Health and Welfare Services	449,018	662,959	0	0	449,018	662,959
Leisure Time Activities	1,215,168	1,220,435	0	0	1,215,168	1,220,435
Community Environment	1,174,604	1,301,931	0	0	1,174,604	1,301,931
Basic Utility Services	1,246,762	970,058	0	0	1,246,762	970,058
Transportation	6,827,304	5,579,237	0	0	6,827,304	5,579,237
General Government	5,200,598	5,334,735	0	0	5,200,598	5,334,735
Interest and Fiscal Charges	230,953	286,876	0	0	230,953	286,876
Water	0	0	5,800,814	8,314,536	5,800,814	8,314,536
Sewer	0	0	7,695,079	6,590,071	7,695,079	6,590,071
Total Expenses	<u>30,464,856</u>	<u>27,607,148</u>	<u>13,495,893</u>	<u>14,904,607</u>	<u>43,960,749</u>	<u>42,511,755</u>
Excess (Deficiency) Before Transfers	3,569,333	1,271,592	4,120,661	3,628,867	7,689,994	4,900,459
Transfers In (Out)	<u>(2,703,170)</u>	<u>(4,065,420)</u>	<u>2,703,170</u>	<u>4,065,420</u>	<u>0</u>	<u>0</u>
Total Change in Net Position	866,163	(2,793,828)	6,823,831	7,694,287	7,689,994	4,900,459
Beginning Net Position, Restated	<u>92,399,581</u>	<u>95,693,409</u>	<u>41,146,325</u>	<u>32,952,038</u>	<u>133,545,906</u>	<u>128,645,447</u>
Ending Net Position	<u>\$93,265,744</u>	<u>\$92,899,581</u>	<u>\$47,970,156</u>	<u>\$40,646,325</u>	<u>\$141,235,900</u>	<u>\$133,545,906</u>



# CITY OF OREGON, OHIO

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## Management's Discussion and Analysis For the Year Ended December 31, 2016

Unaudited

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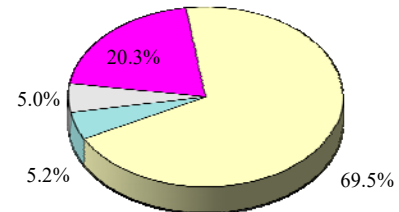
### Governmental Activities

Net position of the City's governmental activities increased by \$866,163. This was due primarily to an increase in income tax revenue because of higher withholdings in 2016 than 2015.

The City receives an income tax, which is based on 2.25% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work or services performed or rendered in the City.

Property taxes and income taxes made up 3.9% and 65.6% respectively of revenues for governmental activities for the City in fiscal year 2016. The City's reliance upon tax revenues is demonstrated by the following graph indicating 69.5% of total revenues from general tax revenues:

<u>Revenue Sources</u>	<u>2016</u>	<u>Percent of Total</u>
General Shared Revenues	\$1,758,986	5.2%
Program Revenues	6,913,886	20.3%
General Tax Revenues	23,663,535	69.5%
General Other	1,697,782	5.0%
Total Revenue	<u>\$34,034,189</u>	<u>100.00%</u>



# CITY OF OREGON, OHIO

Management's Discussion and Analysis  
For the Year Ended December 31, 2016

Unaudited

## Business-Type Activities

Net position of the business-type activities increased by \$6,823,831. This increase was due in large part to ongoing projects at the water treatment and wastewater treatment plants.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$45,050,455, which is a decrease from last year's restated balance of \$50,674,138. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Restated Fund Balance December 31, 2015	Increase (Decrease)
General	\$30,067,294	\$34,171,318	(\$4,104,024)
Street Construction	4,530,444	6,099,212	(1,568,768)
Other Governmental	10,452,717	10,403,608	49,109
Total	<u>\$45,050,455</u>	<u>\$50,674,138</u>	<u>(\$5,623,683)</u>

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2016 Revenues	2015 Revenues	Increase (Decrease)
Taxes	\$19,209,060	\$16,960,971	\$2,248,089
Intergovernmental Revenue	648,339	583,555	64,784
Charges for Services	1,967,167	1,911,004	56,163
Fines, Licenses and Permits	491,000	524,060	(33,060)
Investment Earnings	369,500	903,583	(534,083)
Special Assessments	167,311	168,100	(789)
All Other Revenue	618,578	242,390	376,188
Total	<u>\$23,470,955</u>	<u>\$21,293,663</u>	<u>\$2,177,292</u>

General Fund revenues in 2016 increased approximately 10.2% compared to revenues in fiscal year 2015. The most significant factor contributing to this increase was an increase in income tax revenue during the year.

## CHANGE IN FUND BALANCE

The decrease in fund balance for the Street Construction Fund was largely related to the increase in capital expenditures for the Cedar Point Road relocation project.

## **CITY OF OREGON, OHIO**

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2016***

***Unaudited***

	2016	2015	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$10,374,441	\$9,676,647	\$697,794
Public Health and Welfare Services	347,242	626,434	(279,192)
Community Environment	561,600	826,657	(265,057)
Transportation	3,046,045	3,205,834	(159,789)
General Government	4,492,629	4,120,112	372,517
Debt Service:			
Principal Retirement	31,957	30,809	1,148
Interest and Fiscal Charges	737	1,885	(1,148)
Total	<u>\$18,854,651</u>	<u>\$18,488,378</u>	<u>\$366,273</u>

General Fund expenditures increased by \$366,273 or 1.9% compared to the prior year mostly due to increases in Security of Persons and Property and General Government. Most of the increase in Security of Persons and Property can be attributed to overtime paid to police officers for patrol and traffic control during renovations done to the BP plant and the Clean Energy plant during the year. The increase in General Government can be attributed to an increase in retirement payouts and an extra pay period for the year.

#### **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 2016 the City amended its General Fund budget several times, none were significant.

For the General Fund, final budget basis revenue of \$20.6 million did not change from the original budget estimates of \$20.6 million. The General Fund had an adequate fund balance to cover expenditures.

# CITY OF OREGON, OHIO

Management's Discussion and Analysis  
For the Year Ended December 31, 2016

Unaudited

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2016 the City had \$137,423,408 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment, vehicles and construction in progress. Of this total, \$70,936,499 was related to governmental activities and \$66,486,909 to business-type activities. The following table shows fiscal year 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land and Land Improvements	\$13,374,079	\$13,513,081	(\$139,002)
Construction in Progress	11,940,754	6,780,541	5,160,213
Buildings and Improvements	9,502,386	9,420,158	82,228
Machinery and Equipment	5,265,964	4,626,096	639,868
Vehicles	9,704,937	7,771,893	1,933,044
Infrastructure	68,022,998	65,575,274	2,447,724
Less: Accumulated Depreciation	(46,874,619)	(44,485,951)	(2,388,668)
Totals	<u>\$70,936,499</u>	<u>\$63,201,092</u>	<u>\$7,735,407</u>

	Business-Type Activities		Increase (Decrease)
	2016	2015	
Land	\$756,016	\$756,016	\$0
Construction in Progress	26,967,360	7,244,225	19,723,135
Buildings and Distribution	93,401,444	84,899,832	8,501,612
Machinery and Equipment	15,667,822	15,681,710	(13,888)
Vehicles	969,750	897,548	72,202
Less: Accumulated Depreciation	(71,275,483)	(66,430,071)	(4,845,412)
Totals	<u>\$66,486,909</u>	<u>\$43,049,260</u>	<u>\$23,437,649</u>

The primary increase occurred in infrastructure and construction in progress for the Governmental Activities. This was due to the construction expenses for the Cedar Point Road relocation project.

As of December 31, 2016, the City has contractual commitments of \$26,548,149, as listed in Note 15, for various projects. Included in these projects are street improvements, storm drainage and sanitary sewer, improvements to the Waste Water Treatment Plant and the Water Treatment Plant. Additional information on the City's capital assets can be found in Note 10.

# CITY OF OREGON, OHIO

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## Management's Discussion and Analysis For the Year Ended December 31, 2016

Unaudited

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### Debt

At December 31, 2016, the City had \$6.2 million in bonds outstanding, \$591,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2016 and 2015:

	2016	2015
Governmental Activities:		
General Obligation Bonds	\$5,799,470	\$6,206,053
Special Assessment Bonds	26,000	51,000
OPWC Loans Payable	1,031,897	1,098,864
Long-Term Loan Payable	1,554,912	1,654,931
Pension Liability	42,198	43,680
Capital Lease Payable	0	31,957
Compensated Absences	3,129,353	2,855,754
Net Pension Liability	21,521,570	16,744,577
Total Governmental Activities	<u>33,105,400</u>	<u>28,686,816</u>
Business-Type Activities:		
General Obligation Bonds	\$398,574	\$637,148
OWDA Loans Payable	23,884,007	20,537,599
OPWC Loans Payable	2,729,047	2,406,621
Compensated Absences	899,838	846,018
Net Pension Liability	3,522,721	2,510,815
Total Business-Type Activities	<u>31,434,187</u>	<u>26,938,201</u>
Totals	<u>\$64,539,587</u>	<u>\$55,625,017</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, 2016, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2016***

***Unaudited***

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## **ECONOMIC FACTORS**

The City's original budget for 2016 utilized conservative revenue estimates with some adjustments in base operating costs. Original General Fund revenues were projected to equal actual receipts for 2015.

Department requests were modified 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 expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or 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.

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# CITY OF OREGON, OHIO

## Statement of Net Position December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 8,903,331	\$ 84,811	\$ 8,988,142
Investments	36,290,758	10,312,485	46,603,243
Receivables:			
Taxes	3,954,463	0	3,954,463
Accounts	244,218	2,331,549	2,575,767
Intergovernmental	741,974	213,789	955,763
Payments in Lieu of Taxes	41,563	0	41,563
Interest	108,485	0	108,485
Special Assessments	1,631,970	1,417,286	3,049,256
Loans	106,353	0	106,353
Internal Balances	(770,485)	770,485	0
Inventory of Supplies at Cost	541,594	311,261	852,855
Prepaid Items	182,420	78,119	260,539
Capital Assets:			
Capital Assets Not Being Depreciated	16,594,562	27,723,376	44,317,938
Capital Assets Being Depreciated, Net	54,341,937	38,763,533	93,105,470
<b>Total Assets</b>	<b>122,913,143</b>	<b>82,006,694</b>	<b>204,919,837</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Debt Refunding	0	14,290	14,290
Pension	6,231,382	1,364,305	7,595,687
Total Deferred Outflows of Resources	6,231,382	1,378,595	7,609,977
<b>Liabilities:</b>			
Accounts Payable	964,557	2,992,378	3,956,935
Accrued Wages and Benefits	493,533	97,770	591,303
Retainage Payable	2,800	821,783	824,583
Accrued Interest Payable	36,993	950	37,943
Noncurrent liabilities:			
Due within one year	1,620,010	2,524,602	4,144,612
Due in more than one year	9,963,819	25,386,864	35,350,683
Net Pension Liability	21,521,570	3,522,721	25,044,291
<b>Total Liabilities</b>	<b>34,603,282</b>	<b>35,347,068</b>	<b>69,950,350</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	1,088,462	0	1,088,462
Pension	187,037	68,065	255,102
Total Deferred Inflows of Resources	1,275,499	68,065	1,343,564



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

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	62,524,220	39,489,571	102,013,791
Restricted For:			
Capital Projects	7,137,662	0	7,137,662
Debt Service	892,566	0	892,566
Street Construction, Maintenance and Repair	1,030,646	0	1,030,646
Court Special Projects	284,135	0	284,135
Housing Assistance	6,015	0	6,015
Storm Sewer Project	2,149,043	0	2,149,043
Street Lighting	1,098,459	0	1,098,459
Perpetual Care:			
Nonexpendable	76,929	0	76,929
Other Purposes	3,110,259	0	3,110,259
Unrestricted (Deficit)	14,955,810	8,480,585	23,436,395
<b>Total Net Position</b>	<b>\$ 93,265,744</b>	<b>\$ 47,970,156</b>	<b>\$ 141,235,900</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Activities For the Year Ended December 31, 2016

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 14,120,449	\$ 909,412	\$ 138,542	\$ 351,670
Public Health and Welfare Services	449,018	70,303	0	0
Leisure Time Activities	1,215,168	205,172	0	0
Community Environment	1,174,604	230,942	67,510	0
Basic Utility Services	1,246,762	12,650	226	193,847
Transportation	6,827,304	93,756	1,110,602	1,837,311
General Government	5,200,598	1,691,645	0	298
Interest and Fiscal Charges	230,953	0	0	0
<b>Total Governmental Activities</b>	<b>30,464,856</b>	<b>3,213,880</b>	<b>1,316,880</b>	<b>2,383,126</b>
<b>Business-Type Activities:</b>				
Water	5,800,814	11,925,967	0	389,156
Sewer	7,695,079	4,015,199	0	1,263,052
<b>Total Business-Type Activities</b>	<b>13,495,893</b>	<b>15,941,166</b>	<b>0</b>	<b>1,652,208</b>
<b>Totals</b>	<b>\$ 43,960,749</b>	<b>\$ 19,155,046</b>	<b>\$ 1,316,880</b>	<b>\$ 4,035,334</b>

### General Revenues

Property Taxes  
 Payments in Lieu of Taxes  
 Municipal Income Taxes  
 Grants and Entitlements not Restricted to Specific Programs  
 Investment Earnings  
 Miscellaneous  
 Transfers  
 Total General Revenues and Transfers  
  
 Change in Net Position  
  
 Net Position Beginning of Year, as Restated  
 Net Position End of Year

See accompanying notes to the basic financial statements

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

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

Governmental Activities	Business-Type Activities	Total
\$ (12,720,825)	\$ 0	\$ (12,720,825)
(378,715)	0	(378,715)
(1,009,996)	0	(1,009,996)
(876,152)	0	(876,152)
(1,040,039)	0	(1,040,039)
(3,785,635)	0	(3,785,635)
(3,508,655)	0	(3,508,655)
(230,953)	0	(230,953)
<u>(23,550,970)</u>	<u>0</u>	<u>(23,550,970)</u>
0	6,514,309	6,514,309
0	(2,416,828)	(2,416,828)
<u>0</u>	<u>4,097,481</u>	<u>4,097,481</u>
<u>(23,550,970)</u>	<u>4,097,481</u>	<u>(19,453,489)</u>
995,271	0	995,271
363,970	0	363,970
22,304,294	0	22,304,294
1,758,986	0	1,758,986
332,988	23,180	356,168
1,364,794	0	1,364,794
(2,703,170)	2,703,170	0
<u>24,417,133</u>	<u>2,726,350</u>	<u>27,143,483</u>
866,163	6,823,831	7,689,994
<u>92,399,581</u>	<u>41,146,325</u>	<u>133,545,906</u>
<u>\$ 93,265,744</u>	<u>\$ 47,970,156</u>	<u>\$ 141,235,900</u>

# CITY OF OREGON, OHIO

## Balance Sheet Governmental Funds December 31, 2016

	General	Street Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 233,586	\$ 4,903,075	\$ 3,059,179	\$ 8,195,840
Investments	27,919,423	0	7,771,737	35,691,160
Receivables:				
Taxes	3,129,656	0	824,807	3,954,463
Accounts	192,175	0	52,043	244,218
Intergovernmental	261,017	25,429	455,528	741,974
Payments in Lieu of Taxes	0	0	41,563	41,563
Interest	108,485	0	0	108,485
Special Assessments	17,864	0	1,614,106	1,631,970
Loans	0	0	106,353	106,353
Interfund Loans Receivables	0	0	101,705	101,705
Inventory of Supplies, at Cost	541,594	0	0	541,594
Prepaid Items	158,695	0	13,665	172,360
<b>Total Assets</b>	<b>\$ 32,562,495</b>	<b>\$ 4,928,504</b>	<b>\$ 14,040,686</b>	<b>\$ 51,531,685</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 280,003	\$ 372,631	\$ 311,923	\$ 964,557
Accrued Wages and Benefits Payable	445,935	0	47,598	493,533
Retainage Payable	0	0	2,800	2,800
Interfund Loans Payable	0	0	659,198	659,198
<b>Total Liabilities</b>	<b>725,938</b>	<b>372,631</b>	<b>1,021,519</b>	<b>2,120,088</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Amounts	1,056,446	25,429	2,190,805	3,272,680
Property Tax for Next Fiscal Year	712,817	0	375,645	1,088,462
<b>Total Deferred Inflows of Resources</b>	<b>1,769,263</b>	<b>25,429</b>	<b>2,566,450</b>	<b>4,361,142</b>
<b>Fund Balances:</b>				
Nonspendable	700,289	0	90,594	790,883
Restricted	0	4,530,444	9,199,774	13,730,218
Committed	839,067	0	1,803,203	2,642,270
Assigned	7,843,446	0	0	7,843,446
Unassigned	20,684,492	0	(640,854)	20,043,638
<b>Total Fund Balances</b>	<b>30,067,294</b>	<b>4,530,444</b>	<b>10,452,717</b>	<b>45,050,455</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 32,562,495</b>	<b>\$ 4,928,504</b>	<b>\$ 14,040,686</b>	<b>\$ 51,531,685</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

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## ***Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2016***

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<b>Total Governmental Fund Balances</b>		\$ 45,050,455
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		70,936,499
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Municipal Income Taxes	937,713	
Property Taxes	43,913	
Charges for Services	106,353	
Interest Revenues	49,138	
Special Assessments	1,631,970	
Intergovernmental	<u>503,593</u>	3,272,680
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	6,231,382	
Deferred Inflows - Pension	(187,037)	
Net Pension Liability	<u>(21,521,570)</u>	(15,477,225)
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds.		(36,993)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		1,104,158
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Special Assessment Bond Payable	(26,000)	
General Obligation Bonds Payable	(5,675,000)	
Ohio Public Works Commission Loan Payable	(1,031,897)	
Long-Term Loan Payable	(1,554,912)	
Accrued Pension Liability	(42,198)	
Premium on General Obligation Bonds Payable	(124,470)	
Compensated Absences Payable	<u>(3,129,353)</u>	<u>(11,583,830)</u>
<b><i>Net Position of Governmental Activities</i></b>		<b><u>\$ 93,265,744</u></b>
See accompanying notes to the basic financial statements		

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# CITY OF OREGON, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2016

	General	Street Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 668,352	\$ 0	\$ 327,887	\$ 996,239
Payments in Lieu of Taxes	0	0	363,970	363,970
Municipal Income Taxes	18,540,708	0	3,763,818	22,304,526
Intergovernmental Revenues	648,339	3,085,436	1,974,603	5,708,378
Charges for Services	1,967,167	0	310,415	2,277,582
Licenses, Permits and Fees	228,442	0	0	228,442
Investment Earnings	369,500	0	686	370,186
Special Assessments	167,311	0	718,119	885,430
Fines and Forfeitures	262,558	0	157,911	420,469
All Other Revenue	618,578	0	356,475	975,053
<b>Total Revenues</b>	<b>23,470,955</b>	<b>3,085,436</b>	<b>7,973,884</b>	<b>34,530,275</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	10,374,441	0	1,815,085	12,189,526
Public Health and Welfare Services	347,242	0	29,008	376,250
Leisure Time Activities	0	0	1,061,370	1,061,370
Community Environment	561,600	0	536,884	1,098,484
Basic Utility Services	0	0	1,226,081	1,226,081
Transportation	3,046,045	0	801,164	3,847,209
General Government	4,492,629	0	279,787	4,772,416
Capital Outlay	0	7,755,954	3,938,466	11,694,420
Debt Service:				
Principal Retirement	31,957	0	590,791	622,748
Interest & Fiscal Charges	737	0	240,917	241,654
<b>Total Expenditures</b>	<b>18,854,651</b>	<b>7,755,954</b>	<b>10,519,553</b>	<b>37,130,158</b>
Excess (Deficiency) of Revenues Over Expenditures	4,616,304	(4,670,518)	(2,545,669)	(2,599,883)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	53,058	0	13,525	66,583
Transfers In	0	3,101,750	3,585,026	6,686,776
Transfers Out	(8,386,173)	0	(1,003,773)	(9,389,946)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,333,115)</b>	<b>3,101,750</b>	<b>2,594,778</b>	<b>(2,636,587)</b>
Net Change in Fund Balances	(3,716,811)	(1,568,768)	49,109	(5,236,470)
<b>Fund Balances at Beginning of Year, as Restated</b>	<b>34,171,318</b>	<b>6,099,212</b>	<b>10,403,608</b>	<b>50,674,138</b>
Decrease in Inventory Reserve	(387,213)	0	0	(387,213)
<b>Fund Balances End of Year</b>	<b>\$ 30,067,294</b>	<b>\$ 4,530,444</b>	<b>\$ 10,452,717</b>	<b>\$ 45,050,455</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Reconciliation of The Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement Of Activities For The Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (5,236,470)

*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.

Capital Outlay	10,864,084	
Depreciation	<u>(2,906,759)</u>	7,957,325

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. (221,918)

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

Municipal Income Taxes	(232)	
Property Taxes	(968)	
All Other Revenue	(12,209)	
Interest	(37,198)	
Special Assessments	89,292	
Intergovernmental	<u>(601,354)</u>	(562,669)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,722,826

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,737,770)

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

General Obligation Bonds Principal	398,805	
Amortization of Premium on G.O. Bonds	7,778	
Special Assessment Bonds Principal	25,000	
OPWC Loans Principal	66,967	
Long-Term Loan Principal	100,019	
Capital Lease Principal	31,957	
Ohio Police and Fire Principal Payment	<u>1,482</u>	632,008

(Continued)



# **CITY OF OREGON, OHIO**

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Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.

Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable		2,923
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in Supplies Inventory	(387,213)	
Increase in Compensated Absences Payable	<u>(279,212)</u>	(666,425)

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities.

Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

	<u>(23,667)</u>
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***Change in Net Position of Governmental Activities***

	<u>\$ 866,163</u>
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See accompanying notes to the basic financial statements

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# 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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 641,100	\$ 641,100	\$ 668,352	\$ 27,252
Municipal Income Taxes	16,248,530	16,248,530	18,731,703	2,483,173
Intergovernmental Revenue	567,360	567,360	647,407	80,047
Charges for Services	1,929,530	1,866,245	1,963,886	97,641
Licenses, Permits and Fees	229,596	229,596	230,256	660
Investment Earnings	510,000	510,000	643,784	133,784
Special Assessments	167,787	167,787	167,311	(476)
Fines and Forfeitures	250,000	250,000	264,343	14,343
All Other Revenues	80,000	80,000	637,696	557,696
<b>Total Revenues</b>	<b>20,623,903</b>	<b>20,560,618</b>	<b>23,954,738</b>	<b>3,394,120</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	10,435,998	11,090,179	10,656,363	433,816
Public Health and Welfare Services	383,978	490,289	462,475	27,814
Community Environment	588,409	589,688	570,412	19,276
Transportation	3,516,020	3,761,502	3,321,167	440,335
General Government	4,775,159	4,863,991	4,588,114	275,877
Debt Service:				
Principal Retirement	31,957	31,957	31,957	0
Interest and Fiscal Charges	737	737	737	0
<b>Total Expenditures</b>	<b>19,732,258</b>	<b>20,828,343</b>	<b>19,631,225</b>	<b>1,197,118</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	891,645	(267,725)	4,323,513	4,591,238
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,000	1,000	53,058	52,058
Transfers Out	(6,821,730)	(8,570,527)	(8,387,673)	182,854
<b>Total Other Financing Sources (Uses):</b>	<b>(6,820,730)</b>	<b>(8,569,527)</b>	<b>(8,334,615)</b>	<b>234,912</b>
Net Change In Fund Balance	(5,929,085)	(8,837,252)	(4,011,102)	4,826,150
Fund Balance at Beginning of Year	31,101,168	31,101,168	31,101,168	0
Prior Year Encumbrances	711,968	711,968	711,968	0
<b>Fund Balance at End of Year</b>	<b>\$ 25,884,051</b>	<b>\$ 22,975,884</b>	<b>\$ 27,802,034</b>	<b>\$ 4,826,150</b>

See accompanying notes to the basic financial statements

# CITY OF OREGON, OHIO

## Statement of Net Position Proprietary Funds December 31, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>ASSETS</b>				
Current assets:				
Cash and Cash Equivalents	\$ 26,093	\$ 58,718	\$ 84,811	\$ 707,492
Investments	3,172,713	7,139,772	10,312,485	599,598
Accounts receivable (net of allow for uncollectibles)	1,773,988	557,561	2,331,549	0
Intergovernmental receivable	114,950	98,839	213,789	0
Special Assessments receivable	0	1,417,286	1,417,286	0
Interfund Loans Receivable	506,119	51,374	557,493	0
Inventory of Supplies at Cost	303,827	7,434	311,261	0
Prepaid Items	40,666	37,453	78,119	10,060
Total current assets	5,938,356	9,368,437	15,306,793	1,317,150
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	40,427,224	70,367,808	110,795,032	0
Construction in Progress	19,383,296	7,584,064	26,967,360	0
Less accumulated depreciation	(24,471,535)	(46,803,948)	(71,275,483)	0
Total noncurrent assets	35,338,985	31,147,924	66,486,909	0
Total assets	41,277,341	40,516,361	81,793,702	1,317,150
<b>Deferred Outflows of Resources:</b>				
Deferred Charge on Debt Refunding	0	14,290	14,290	0
Pension	794,176	570,129	1,364,305	0
<b>Total Deferred Outflows of Resources</b>	794,176	584,419	1,378,595	0
<b>LIABILITIES</b>				
Current liabilities:				
Accounts Payable	1,678,804	1,313,574	2,992,378	0
Accrued Wages and Benefits	59,198	38,572	97,770	0
Retainage Payable	188,550	633,233	821,783	0
Accrued Interest Payable	0	950	950	0
Compensated Absences Payable - Current	183,785	97,199	280,984	0
General Obligation Bonds Payable - Current	0	190,000	190,000	0
OWDA Loans Payable - Current	906,756	937,614	1,844,370	0
OPWC Loans Payable - Current	141,046	68,202	209,248	0
Total Current Liabilities	3,158,139	3,279,344	6,437,483	0

# CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>Noncurrent Liabilities:</b>				
General Obligation Bonds Payable	0	208,574	208,574	0
OWDA Loans Payable	6,489,822	15,549,815	22,039,637	0
OPWC Loans Payable	1,004,447	1,515,352	2,519,799	0
Net Pension Liability	2,050,612	1,472,109	3,522,721	0
Compensated Absences Payable	333,466	285,388	618,854	0
Total noncurrent liabilities	9,878,347	19,031,238	28,909,585	0
<b>Total Liabilities</b>	<b>13,036,486</b>	<b>22,310,582</b>	<b>35,347,068</b>	<b>0</b>
<b>Deferred Inflows of Resources:</b>				
Pension	39,621	28,444	68,065	0
<b>NET POSITION</b>				
Net Investment in Capital Assets	26,796,914	12,692,657	39,489,571	0
Unrestricted	2,198,496	6,069,097	8,267,593	1,317,150
Total Net Position	<u>\$ 28,995,410</u>	<u>\$ 18,761,754</u>	<u>\$ 47,757,164</u>	<u>\$ 1,317,150</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			212,992	
Net Position of Business-type Activities			<u>\$ 47,970,156</u>	

See accompanying notes to the basic financial statements

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# CITY OF OREGON, OHIO

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2016

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water	Sewer	Total	
<b>Operating Revenues:</b>				
Charges for Services	\$ 4,722,982	\$ 4,003,347	\$ 8,726,329	\$ 73,859
Other Operating Revenues	7,202,985	11,852	7,214,837	9,308
<b>Total Operating Revenues</b>	<u>11,925,967</u>	<u>4,015,199</u>	<u>15,941,166</u>	<u>83,167</u>
<b>Operating Expenses:</b>				
Personal Services	2,704,809	2,065,837	4,770,646	100,274
Contractual Services	518,362	3,129,566	3,647,928	0
Materials and Supplies	973,694	73,916	1,047,610	0
Utilities	427,090	402,406	829,496	0
Depreciation	887,878	1,653,941	2,541,819	0
<b>Total Operating Expenses</b>	<u>5,511,833</u>	<u>7,325,666</u>	<u>12,837,499</u>	<u>100,274</u>
<b>Operating Income (Loss)</b>	6,414,134	(3,310,467)	3,103,667	(17,107)
<b>Non-Operating Revenue (Expenses):</b>				
Interest Income	23,180	0	23,180	0
Interest and Fiscal Charges	(203,373)	(374,339)	(577,712)	0
Gain (Loss) on Sale of Capital Assets	(96,385)	9,143	(87,242)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(276,578)</u>	<u>(365,196)</u>	<u>(641,774)</u>	<u>0</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	6,137,556	(3,675,663)	2,461,893	(17,107)
Capital Contributions	389,156	1,263,052	1,652,208	0
Transfers In	1,200,000	2,029,262	3,229,262	0
Transfers Out	(409,959)	(116,133)	(526,092)	0
<b>Change in Net Position</b>	7,316,753	(499,482)	6,817,271	(17,107)
Net Position Beginning of Year, as Restated	21,678,657	19,261,236	40,939,893	1,334,257
<b>Net Position End of Year</b>	<u>\$ 28,995,410</u>	<u>\$ 18,761,754</u>	<u>\$ 47,757,164</u>	<u>\$ 1,317,150</u>
Change in Net Position - Total Enterprise Funds			6,817,271	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			6,560	
Change in Net Position - Business-type Activities			<u>\$ 6,823,831</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, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Totals	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$13,612,785	\$4,375,403	\$17,988,188	\$83,167
Cash Payments for Goods and Services	(1,638,331)	(3,504,276)	(5,142,607)	0
Cash Payments to Employees	(2,487,824)	(2,065,438)	(4,553,262)	(101,764)
Net Cash Provided (Used) by Operating Activities	9,486,630	(1,194,311)	8,292,319	(18,597)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	1,200,000	2,029,262	3,229,262	0
Transfers Out to Other Funds	(409,959)	(116,133)	(526,092)	0
Net Cash Provided by Noncapital Financing Activities	790,041	1,913,129	2,703,170	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Intergovernmental Grants	387,927	869,319	1,257,246	0
Acquisition and Construction of Assets	(13,783,455)	(6,460,642)	(20,244,097)	0
Sale of Capital Assets	0	12,926	12,926	0
Capital Contributions	1,229	347,339	348,568	0
Principal Paid on General Obligation Bonds	0	(220,000)	(220,000)	0
Ohio Water Development Authority Loans Issued	0	5,117,536	5,117,536	0
Ohio Public Works Commission Loans Issued	0	530,831	530,831	0
Principal Paid on				
Ohio Water Development Authority Loans	(874,307)	(896,821)	(1,771,128)	0
Principal Paid on				
Ohio Public Works Commission Loan	(141,045)	(67,360)	(208,405)	0
Interest Paid on All Debt	(203,373)	(386,318)	(589,691)	0
Net Cash Used by				
Noncapital Financing Activities	(14,613,024)	(1,153,190)	(15,766,214)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	3,799,920	0	3,799,920	(7,992)
Purchase of Investments	0	(54,936)	(54,936)	0
Receipts of Interest	23,180	0	23,180	0
Net Cash Provided (Used) by Investing Activities	3,823,100	(54,936)	3,768,164	(7,992)
Net Decrease in Cash and Cash Equivalents	(513,253)	(489,308)	(1,002,561)	(26,589)
Cash and Cash Equivalents at Beginning of Year	539,346	548,026	1,087,372	734,081
Cash and Cash Equivalents at End of Year	\$26,093	\$58,718	\$84,811	\$707,492



# CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Totals	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) for Operating Activities:</u>				
Operating Income (Loss)	\$6,414,134	(\$3,310,467)	\$3,103,667	(\$17,107)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Depreciation Expense	887,878	1,653,941	2,541,819	0
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	1,656,214	322,840	1,979,054	0
Decrease in Interfund Loan Receivable	30,604	37,364	67,968	0
Decrease in Inventory	140,879	1,489	142,368	0
Increase in Prepaid Items	(30,373)	(37,453)	(67,826)	(480)
Increase in Deferred Outflows of Resources	(498,418)	(352,315)	(850,733)	0
Increase (Decrease) in Accounts Payable	170,309	137,576	307,885	(1,010)
Decrease in Accrued Wages and Benefits	(10,651)	(10,841)	(21,492)	0
Increase in Net Pension Liability	663,559	348,347	1,011,906	0
Increase in Deferred Inflows of Resources	14,173	9,710	23,883	0
Increase in Compensated Absences	48,322	5,498	53,820	0
Total Adjustments	3,072,496	2,116,156	5,188,652	(1,490)
Net Cash Provided (Used) by Operating Activities	<u>\$9,486,630</u>	<u>(\$1,194,311)</u>	<u>\$8,292,319</u>	<u>(\$18,597)</u>

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

As of December 31, 2016, the Water and the Sewer Funds had outstanding liabilities of \$1,642,463 and \$1,743,789, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

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**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**December 31, 2016**

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 129,780
<b>Liabilities:</b>	
Intergovernmental Payable	\$ 112,025
Due to Others	<u>17,755</u>
<b>Total Liabilities</b>	<u>\$ 129,780</u>

See accompanying notes to the basic financial statements

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

The City of Oregon, Ohio (the "City") was incorporated in 1838 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, 2016 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

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

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

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

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

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

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

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed or assigned to expenditures for principal and interest.

*Proprietary Funds* - All proprietary funds are reported using the flow of economic resources measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

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

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

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

#### **C. Basis of Presentation – Financial Statements**

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

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

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

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

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

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

#### **D. Basis of Accounting**

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

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

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

Revenues resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

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

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2016, but which are not intended to finance 2016 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources 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.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016***

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability/asset: (1) net difference between projected and actual investment earnings on pension plan investments, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between the City's contributions and the City's proportionate share of contributions. The City's deferred outflows of resources related to pension are further discussed in Note 11.

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

The City also reports deferred inflows of resources for the differences between expected and actual experience related to the City's net pension liability/asset. This deferred inflows of resources are only reported on the government-wide statement of net position and in the proprietary funds financial statements. The deferred inflows of resources related to pension are further discussed in Note 11.



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **F. Budgetary Process**

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council.

#### **1. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2016.

#### **2. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the legal level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. During 2015 several supplemental appropriations were necessary to budget the use of contingency funds, major capital improvement projects and intergovernmental grant proceeds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **F. Budgetary Process (Continued)**

##### **3. Encumbrances**

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

##### **4. Lapsing of Appropriations**

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

##### **5. Budgetary Basis of Accounting**

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. On a budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

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# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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

#### F. Budgetary Process (Continued)

##### 5. Budgetary Basis of Accounting (Continued)

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

	<u>General Fund</u>
GAAP Basis (as reported)	(\$3,716,811)
Increase (Decrease):	
Accrued Revenues at December 31, 2016 received during 2017	(1,939,934)
Accrued Revenues at December 31, 2015 received during 2016	2,120,285
Accrued Expenditures at December 31, 2016 paid during 2017	725,938
Accrued Expenditures at December 31, 2015 paid during 2016	(752,587)
2015 Adjustment to Fair Value	(180,128)
2016 Adjustment to Fair Value	483,573
2015 Prepays for 2016	215,984
2016 Prepays for 2017	(158,695)
Outstanding Encumbrances	(808,657)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(70)</u>
Budget Basis	<u><u>(\$4,011,102)</u></u>

#### G. Cash and Cash Equivalents

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **G. Cash and Cash Equivalents** (Continued)

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

#### **H. Investments**

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

The City has invested funds in the STAR Ohio during 2016. 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 net asset value per share, which is the price the investment could be sold for on December 31, 2016.

#### **I. Inventory**

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

#### **J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **K. Capital Assets and Depreciation**

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

##### **1. Property, Plant and Equipment - Governmental Activities**

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

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

##### **2. Property, Plant and Equipment – Business Type Activities**

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective proprietary 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, Vehicles	3 - 10

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **L. Long-Term Obligations**

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

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

#### **M. Compensated Absences**

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

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

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **M. Compensated Absences (Continued)**

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

#### **N. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflow of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **O. Fund Balances**

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

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

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

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

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

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

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

#### **P. Pensions**

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.



# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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

#### **Q. Interfund Activity**

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

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

#### **R. Estimates**

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

#### **S. Operating Revenues and Expenses**

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

#### **T. Contributions of Capital**

Contributions of capital in proprietary fund financial statements and for governmental activities arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements and on the statement of activities.

#### **U. Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ACCOUNTING ERROR AND RESTATEMENT OF NET POSITION**

For fiscal year 2016, the City has implemented GASB Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, GASB Statement No. 77 “Tax Abatement Disclosures” and GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

# **CITY OF OREGON, OHIO**

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## **Notes to the Basic Financial Statements For the Year Ended December 31, 2016**

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### **NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE, CORRECTION OF AN ACCOUNTING ERROR AND RESTATEMENT OF NET POSITION (Continued)**

The City has manuscript debt related to multiple projects. There was an error in reporting these amounts as Interfund Receivables and Payables during the prior audit. To properly present the outstanding balances of the manuscript debt, it is necessary to restate the beginning balance at January 1, 2016.

The correction of the accounting error had the following effect on net position as reported December 31, 2015:

	Governmental Activities	Business-type Activities	Water Fund	Nonmajor Governmental Funds
Net Position December 31, 2015	\$92,899,581	\$40,646,325	\$21,178,657	\$10,903,608
Adjustments:				
Internal Balances	(500,000)	500,000	500,000	(500,000)
Restated Net Position December 31, 2015	<u>\$92,399,581</u>	<u>\$41,146,325</u>	<u>\$21,678,657</u>	<u>\$10,403,608</u>

### **NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficit** - The fund deficits at December 31, 2016 of \$37,131 in the EMS Operating Fund and \$603,723 in the Cedar Point TIF Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis and from the posting of an interfund loan payable on the modified accrual basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 4 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Principal	\$0	\$0	\$76,929	\$76,929
Prepaid Items	158,695	0	13,665	172,360
Supplies Inventory	541,594	0	0	541,594
Total Nonspendable	<u>700,289</u>	<u>0</u>	<u>90,594</u>	<u>790,883</u>
Restricted:				
Special Assessment Debt Service Payments	0	0	341,357	341,357
Street Construction and Maintenance	0	0	754,370	754,370
State Highway Improvement	0	0	68,142	68,142
Permissive Auto Tax	0	0	173,156	173,156
Drug Law Enforcement and Education	0	0	11,784	11,784
Police Grants	0	0	24,404	24,404
Police Levy	0	0	175,368	175,368
Drug Law Enforcement	0	0	42,493	42,493
DUI and Seatbelt Grant	0	0	18,740	18,740
Fire Operation	0	0	999,819	999,819
Federal Equity Sharing	0	0	45,367	45,367
Indigent Drivers Alcohol Treatment	0	0	55,023	55,023
City Recreation	0	0	86,473	86,473
Legal Computer Research	0	0	205,174	205,174
Court Special Projects	0	0	284,135	284,135
Probation Services	0	0	82,943	82,943
IDIAMF	0	0	34,730	34,730
Community Development Block Grant	0	0	69,482	69,482
Housing Assistance	0	0	6,015	6,015
Local Law Enforcement Block Grant	0	0	191	191
Cedar Point Development	0	0	491,197	491,197
Revolving Loan	0	0	96,113	96,113
FEMA	0	0	5	5
Solid Waste	0	0	2,113,261	2,113,261
Storm Sewer Projects	0	0	2,096,906	2,096,906
Street Lighting	0	0	454,055	454,055
Sewer Maintenance	0	0	91,292	91,292
Street Construction	0	4,530,444	0	4,530,444
Street, Recreation and Building	0	0	339,715	339,715
General Bond Retirement	0	0	38,064	38,064
Total Restricted	<u>0</u>	<u>4,530,444</u>	<u>9,199,774</u>	<u>13,730,218</u>

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Street Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed:				
Payroll Stabilization	839,067	0	0	839,067
Fire Operation	0	0	28,267	28,267
City Recreation	0	0	392,014	392,014
Hazardous Waste	0	0	365,644	365,644
Fire Pumper	0	0	59,263	59,263
Parkland Acquisition	0	0	200,126	200,126
StormSewer Construction	0	0	752,144	752,144
Economic Development	0	0	5,745	5,745
Total Committed	<u>839,067</u>	<u>0</u>	<u>1,803,203</u>	<u>2,642,270</u>
Assigned:				
Fiscal Year 2017 Appropriations	7,260,598	0	0	7,260,598
Purchase Orders	582,848	0	0	582,848
Total Assigned	<u>7,843,446</u>	<u>0</u>	<u>0</u>	<u>7,843,446</u>
Unassigned (deficit)	<u>20,684,492</u>	<u>0</u>	<u>(640,854)</u>	<u>20,043,638</u>
Total Fund Balances	<u>\$30,067,294</u>	<u>\$4,530,444</u>	<u>\$10,452,717</u>	<u>\$45,050,455</u>

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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### **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, 2016

### 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 \$12,116,984 and the bank balance was \$12,993,543. The Federal Deposit Insurance Corporation (FDIC) covered \$3,081,499 of the bank balance and \$9,912,044 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>\$9,912,044</u>
Total Balance	<u><u>\$9,912,044</u></u>

Investment earnings of \$181,178 earned by other funds were credited to the General Fund as required by local statute.

#### B. Investments

The City's investments at December 31, 2016 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)		
				less than 1	1-3	3-5
FHLB	\$8,439,029	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	\$0	\$0	\$8,439,029
FHLMC	7,603,672	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	0	998,700	6,604,972
FNMA	14,476,083	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	6,053,163	1,991,900	6,431,020
FFCB	2,435,780	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	499,230	0	1,936,550
Negotiable CD's	10,648,679	AA+ <sup>1</sup>	Level 1	2,663,210	3,735,680	4,249,789
STAR Ohio	938	AAAm <sup>1</sup>	N/A	938	0	0
Total Investments	<u>\$43,604,181</u>			<u>\$9,216,541</u>	<u>\$6,726,280</u>	<u>\$27,661,360</u>

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

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

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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### 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 AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Investments in Star Ohio were rated AAAM by Standard & Poor’s.

*Custodial Credit Risk* – The City’s investments in FHLB, FHLMC, FNMA and FFCB securities in the amounts of \$8,439,029, \$7,603,672, \$14,476,083 and \$2,435,780, 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, 19% are FHLB, 17% are FHLMC, 33% are FNMA, 6% are FFCB, less than 1% is Star Ohio and 24% are negotiable CD’s.

#### **C. Reconciliation of Cash, Cash Equivalents and Investments**

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$9,117,922	\$46,603,243
Certificates of Deposit (with maturities of more than 3 months)	3,000,000	(3,000,000)
Investments:		
STAR Ohio	(938)	938
Per Footnote	<u>\$12,116,984</u>	<u>\$43,604,181</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 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2012 and the equalization adjustment was completed in 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 31; the remainder is payable by July 31.



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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### **NOTE 6 - TAXES (Continued)**

#### **A. Property Taxes (Continued)**

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

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

The full property tax rate for all City operations for the year ended December 31, 2016 was \$2.50 per \$1,000 of assessed value. The assessed value upon which the 2016 tax receipts were based was \$446,111,800. This amount constitutes \$410,019,700 in real property assessed value and \$36,092,100 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.250% (2.50 mills) of assessed value.

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

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

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 7 – TAX ABATEMENT DISCLOSURES

#### Real Estate Tax Abatements

As of December 31, 2016, the City of Maumee provides tax incentives under three programs: Tax Increment Financing (TIF), Enterprise Zone (EZ), and Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area titled the Cedar Point Development Park Reinvestment Area. In general, this Community Reinvestment Area includes properties rezoned as C-I Commercial/Industrial bounded by Cedar Point Road, Lallendorf Road, Wynn Road and Corduroy Road, and A-1 Agricultural properties segregated in the Lallendorf Road and Corduroy Road corner, and on Seaman Road along the Southern border of the district, within the City of Oregon. The City of Oregon authorizes incentives through the passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand businesses located in the City, and retain or create new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from commercial and industrial improvements consistent with the applicable zoning regulations.

The City of Oregon also contracts with the Oregon City School District for payments in lieu of taxes when required by Section 5709.82 of the Ohio Revised Code.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2016.

Property Tax Abatement	Total Amount of Taxes Abated (Incentives Abated For the Year 2016 In Actual Dollars)
<i>Oregon Holdings One LLC (2015 - 2025) (CRA)</i> - Gross Dollar amount of taxes abated during 2016	\$30,481
<i>Enviroservices of Ohio Inc. (2013 - 2023) (CRA)</i> - Gross Dollar amount of taxes abated during 2016	126,428
<i>BP-Husky Refining LLC A DE LLC (2008 - 2021) (Enterprise Zone)</i> - Gross Dollar amount of taxes abated during 2016	127,325
<i>BP-Husky Refining LLC A DE LLC (2011 - 2041) (TIF)</i> - Gross Dollar amount of taxes abated during 2016	49,027
<i>BP-Husky Refining LLC (2011 - 2041) (TIF)</i> - Gross Dollar amount of taxes abated during 2016	51,063
<i>Menard Inc. (2008 - 2038) (TIF)</i> - Gross Dollar amount of taxes abated during 2016	222,539
<i>Oregon Holdings Five LLC (2009 - 2039) (TIF)</i> - Gross Dollar amount of taxes abated during 2016	82,684
	\$689,547

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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### NOTE 8 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, interest, loans, accounts receivable, special assessments and intergovernmental receivables.

### NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2016:

	Transfers In:				Total
	Street Construction Fund	Other Governmental Funds	Water Fund	Sewer Fund	
Transfers Out:					
General Fund	\$2,801,750	\$2,355,161	\$1,200,000	\$2,029,262	\$8,386,173
Other Governmental Funds	0	1,003,773	0	0	1,003,773
Water Fund	300,000	109,959	0	0	409,959
Sewer Fund	0	116,133	0	0	116,133
	<u>\$3,101,750</u>	<u>\$3,585,026</u>	<u>\$1,200,000</u>	<u>\$2,029,262</u>	<u>\$9,916,038</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 \$7,212,868 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, 2016

### NOTE 10 - CAPITAL ASSETS

#### A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets for the year ended December 31, 2016 was as follows:

*Historical Cost:*

Class	December 31, 2015	Additions	Deletions	December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$4,653,808	\$0	\$0	\$4,653,808
Construction in Progress	6,780,541	8,113,717	(2,953,504)	11,940,754
Subtotal	11,434,349	8,113,717	(2,953,504)	16,594,562
<i>Capital assets being depreciated:</i>				
Land Improvements	8,859,273	76,504	(215,506)	8,720,271
Buildings and Improvements	9,420,158	82,228	0	9,502,386
Machinery and Equipment	4,626,096	758,608	(118,740)	5,265,964
Vehicles	7,771,893	2,338,807	(405,763)	9,704,937
Infrastructure	65,575,274	2,447,724	0	68,022,998
Subtotal	96,252,694	5,703,871	(740,009)	101,216,556
Total Cost	\$107,687,043	\$13,817,588	(\$3,693,513)	\$117,811,118

*Accumulated Depreciation:*

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Land Improvements	(\$2,233,095)	(\$255,230)	\$4,494	(\$2,483,831)
Buildings and Improvements	(5,864,373)	(218,607)	0	(6,082,980)
Machinery and Equipment	(3,175,491)	(299,988)	107,834	(3,367,645)
Vehicles	(5,803,465)	(715,198)	405,763	(6,112,900)
Infrastructure	(27,409,527)	(1,417,736)	0	(28,827,263)
Total Depreciation	(\$44,485,951)	(\$2,906,759) *	\$518,091	(\$46,874,619)
<i>Net Value:</i>	\$63,201,092			\$70,936,499

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

Security of Persons and Property	\$563,113
Public Health and Welfare Services	36,811
Leisure Time Activities	138,962
Community Environment	24,664
Transportation	1,955,721
General Government	187,488
Total Depreciation Expense	\$2,906,759

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 10 - CAPITAL ASSETS (continued)

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

Summary by category of changes in business-type activities for the year ended December 31, 2016 was as follows:

*Historical Cost:*

Class	December 31, 2015	Additions	Deletions	December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$756,016	\$0	\$0	\$756,016
Construction in Progress	6,819,098	20,209,332	(61,070)	26,967,360
Subtotal	7,575,114	20,209,332	(61,070)	27,723,376
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	92,994,524	414,795	(7,875)	93,401,444
Machinery and Equipment	15,723,313	5,150	(60,641)	15,667,822
Vehicles	1,032,756	39,653	(102,659)	969,750
Subtotal	109,750,593	459,598	(171,175)	110,039,016
Total Cost	\$117,325,707	\$20,668,930	(\$232,245)	\$137,762,392

*Accumulated Depreciation:*

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings and Distributions	(\$62,637,677)	(\$2,391,029)	\$4,266	(\$65,024,440)
Machinery and Equipment	(5,393,075)	(124,308)	56,858	(5,460,525)
Vehicles	(773,919)	(26,482)	9,883	(790,518)
Total Depreciation	(\$68,804,671)	(\$2,541,819)	\$71,007	(\$71,275,483)
<i>Net Value:</i>	\$48,521,036			\$66,486,909

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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### **NOTE 11 – DEFINED BENEFIT PENSION PLANS**

#### ***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

#### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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### NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,044,516 for 2016.



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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#### **NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### ***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %
<b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,007,155 for 2016.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of Net Pension Liability	\$11,189,300	\$13,854,991	\$25,044,291
Proportionate Share of Net Pension Liability - 2016	0.064599%	0.215371%	
Proportionate Share of Net Pension Liability - 2015	0.067134%	0.215394%	
Percentage Change	<u>-0.002535%</u>	<u>-0.000022%</u>	
Pension Expense	\$1,455,242	\$1,796,430	\$3,251,672

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$3,288,955	\$2,255,111	\$5,544,066
Change in Proportionate Share	0	(49)	(49)
City contributions subsequent to the measurement date	1,044,515	1,007,155	2,051,670
Total Deferred Outflows of Resources	<u>\$4,333,470</u>	<u>\$3,262,217</u>	<u>\$7,595,687</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$221,570	\$38,905	\$260,475
Change in Proportionate Share	(5,373)	0	(5,373)
Total Deferred Inflows of Resources	<u>\$216,197</u>	<u>\$38,905</u>	<u>\$255,102</u>

\$2,051,670 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2017	\$719,326	\$586,303	\$1,305,629
2018	771,916	586,303	1,358,219
2019	837,222	586,303	1,423,525
2020	744,294	466,108	1,210,402
2021	0	(7,496)	(7,496)
2022	0	(1,364)	(1,364)
Total	<u>\$3,072,758</u>	<u>\$2,216,157</u>	<u>\$5,288,915</u>

### **Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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### **NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$17,827,288	\$11,189,300	\$5,590,367

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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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### **NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

#### ***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	120.00 %	

\* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$18,272,879	\$13,854,991	\$10,112,608

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016***

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**NOTE 12 – POST-EMPLOYMENT 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

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 2016, 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.



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

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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### **NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)**

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were \$174,086, \$185,351 and \$171,600, respectively, which were equal to the required contributions for each year.

#### **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. That report is also available on OP&F’s website at [www.op-f.org](http://www.op-f.org).

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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#### **NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)**

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ended December 31, 2016, 2015, and 2014 were \$20,341, \$15,944 and \$17,935 for police and \$5,007, \$4,875 and \$4,660 for firefighters, respectively, which were equal to the required contributions for each year.

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# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

### 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, 2016, the City's accumulated, unpaid compensated absences amounted to \$4,029,191, of which \$3,129,353 is recorded as a liability of the Governmental Activities and \$899,838 is recorded as a liability of the Business-Type Activities.

### NOTE 14 - LONG-TERM LIABILITIES

Long-term liabilities of the City at December 31, 2016 was as follows:

Date Purchased	Maturity Date		Balance December 31, 2015	Issued	(Retired)	Balance December 31, 2016	Amount Due Within One Year
<b>Governmental Activities Long-Term Liabilities:</b>							
General Obligation Bonds:							
2006	4.67%	Land Acquisition	2016	\$58,805	\$0	(\$58,805)	\$0
2012	2.00%	Wheeling Street Improvement	2030	3,370,000	0	(205,000)	3,165,000
		Premium		81,469	0	(4,792)	76,677
2012	2.00%	Big Ditch/Stadium	2032	2,645,000	0	(135,000)	2,510,000
		Premium		50,779	0	(2,986)	47,793
		Total General Obligation Bonds		6,206,053	0	(406,583)	5,799,470
Special Assessment Bond Payable with Governmental Commitment:							
1997	5.25%	York Street Waterline	2017	51,000	0	(25,000)	26,000

(Continued)

# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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

Date Purchased		Maturity Date	Balance December 31, 2015	Issued	(Retired)	Balance December 31, 2016	Amount Due Within One Year	
<b>Governmental Activities Long-Term Liabilities:</b>								
Ohio Public Works Commission Loan:								
2011	0.00%	Big Ditch Improvement	2031	\$371,070	\$0	(\$23,940)	\$347,130	\$23,940
2013	0.00%	Oregon Flood Relief	2034	647,551	0	(35,003)	612,548	35,002
2015	0.00%	Resurfacing Project	2025	80,243	0	(8,024)	72,219	8,024
		Total Ohio Public Works Commission Loans		<u>1,098,864</u>	<u>0</u>	<u>(66,967)</u>	<u>1,031,897</u>	<u>66,966</u>
Long-Term Loan Payable:								
2015	0.39%	Toledo Lucas County Port Authority	2028	1,654,931	0	(100,019)	1,554,912	103,943
		Compensated Absences		2,855,754	3,129,352	(2,855,754)	3,129,352	1,046,556
		Capital Leases		31,957	0	(31,957)	0	0
		Police and Firemen's Pension Accrued Liability		43,680	0	(1,482)	42,198	1,545
		Net Pension Liability		<u>16,744,577</u>	<u>5,062,991</u>	<u>(285,998)</u>	<u>21,521,570</u>	<u>0</u>
		Total Governmental Activities Long-Term Liabilities		<u>\$28,686,816</u>	<u>\$8,192,343</u>	<u>(\$3,773,760)</u>	<u>\$33,105,399</u>	<u>\$1,620,010</u>

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# CITY OF OREGON, OHIO

## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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

Date Purchased		Maturity Date	Balance December 31, 2015	Issued	(Retired)	Balance December 31, 2016	Amount Due Within One Year	
<b>Business-Type Long-Term Liabilities:</b>								
General Obligation Bonds:								
2012	2.00%	Sewer Improvement	2018	\$600,000	\$0	(\$220,000)	\$380,000	\$190,000
		Premium		37,148	0	(18,574)	18,574	0
		Total General Obligation Bonds		<u>637,148</u>	<u>0</u>	<u>(238,574)</u>	<u>398,574</u>	<u>190,000</u>
Ohio Public Works Commission Loans:								
2002	0.00%	Zebra Mussel Control - Raw Water Intake	2022	92,807	0	(15,469)	77,338	15,470
2003	0.00%	Water Plant Renovations - Phase I	2023	139,075	0	(19,867)	119,208	19,867
	0.00%	Water Treatment Plant Improvements - Phase II	2023	150,811	0	(20,108)	130,703	20,108
	0.00%	Water Treatment Plant Improvements - Phase III	2024	200,000	0	(25,000)	175,000	25,000
	0.00%	Water Treatment Plant Improvements - Phase IV	2025	276,300	0	(30,700)	245,600	30,700
	0.00%	Water Treatment Plant Improvements - Phase V	2026	42,002	0	(4,201)	37,801	4,201
2007	0.00%	South Shore Park Waterline - Phase II	2027	36,793	0	(3,200)	33,593	3,200
2009	0.00%	Elevated Storage Tank	2031	348,750	0	(22,500)	326,250	22,500
2011	0.00%	Sanitary Sewer Rehabilitation	2031	150,000	0	(10,000)	140,000	10,000
2012	0.00%	Sanitary Sewer Rehabilitation	2033	393,750	0	(22,500)	371,250	22,500
2007	0.00%	Eastwyck Sanitary Pump Station	2026	101,528	0	(9,670)	91,858	9,670
2014	0.00%	Wastewater Treatment Plant Phase I	2035	474,805	0	(24,349)	450,456	24,350
2016	0.00%	Wastewater Treatment Plant Phase III	2036	0	33,642	(841)	32,801	1,682
2016	0.00%	Wastewater Secondary Treatment Plant	2036	0	497,189	0	497,189	0
		Total Ohio Public Works Commission Loans		<u>2,406,621</u>	<u>530,831</u>	<u>(208,405)</u>	<u>2,729,047</u>	<u>209,248</u>
Ohio Water Development Authority Loans:								
2002	3.80%	Seaman Road Trunk Sewer - Phase I	2022	587,364	0	(88,918)	498,446	92,329
2004	3.95%	Seaman Road Trunk Sewer - Phase II	2023	1,080,147	0	(126,382)	953,765	131,423
2005	3.50%	Stadium Road Sewer	2024	1,577,719	0	(162,387)	1,415,332	168,120
2006	3.35%	Pickle Road Sewer	2025	1,377,136	0	(125,358)	1,251,778	129,593
2002	4.28%	Waterplant Renovation - Phase I & II	2022	3,902,704	0	(583,579)	3,319,125	608,824
2004	3.65%	Waterplant Renovation - Phase III	2024	988,555	0	(108,502)	880,053	112,499
2011	3.52%	Elevated Storage Tank	2030	3,379,626	0	(182,226)	3,197,400	185,433
2013	2.64%	Phase II Sanitary Sewer Rehab	2033	1,328,183	0	(55,622)	1,272,561	67,582
2007	3.25%	Coy Road Sewer	2027	328,299	0	(25,271)	303,028	26,099
2015	3.37%	WWTP Secondary Improvements Phase I	2035	5,987,866	4,595	(237,963)	5,754,498	246,049
2016	1.99%	WWTP Secondary Improvements Phase III	2036	0	1,612,675	(74,920)	1,537,755	76,419
2016	1.58%	WWTP Secondary Improvements Phase II	2037	0	425,811	0	425,811	0
2016	0.19%	WWTP Secondary Improvements Phase II	2038	0	3,074,455	0	3,074,455	0
		Total Ohio Water Development Authority Loans		<u>20,537,599</u>	<u>5,117,536</u>	<u>(1,771,128)</u>	<u>23,884,007</u>	<u>1,844,370</u>
		Compensated Absences		846,018	899,838	(846,018)	899,838	280,984
		Net Pension Liability		2,510,815	1,108,178	(96,272)	3,522,721	0
		Total Business-Type Activities Long-Term Liabilities		<u>\$26,938,201</u>	<u>\$7,656,383</u>	<u>(\$3,160,397)</u>	<u>\$31,434,187</u>	<u>\$2,524,602</u>

# CITY OF OREGON, OHIO

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## Notes to the Basic Financial Statements For the Year Ended December 31, 2016

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

#### A. Special Assessments

The principal amount of the City's special assessment debt outstanding at December 31, 2016 of \$26,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$341,357 in the Special Assessment Bond Retirement Fund at December 31, 2016 is restricted for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$76,731.

#### 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, 2016 was \$42,198 in principal and \$19,116 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt. This is paid out of the General Fund.

#### C. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2016, follows:

Years	<u>Governmental Activities</u>			
	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$375,000	\$133,988	\$26,000	\$1,365
2018	335,000	122,738	0	0
2019	325,000	112,688	0	0
2020	330,000	106,188	0	0
2021	340,000	99,588	0	0
2022-2026	1,870,000	390,880	0	0
2027-2031	1,910,000	162,388	0	0
2032	190,000	5,130	0	0
Totals	<u>\$5,675,000</u>	<u>\$1,133,588</u>	<u>\$26,000</u>	<u>\$1,365</u>

**CITY OF OREGON, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016**

**NOTE 14 - LONG-TERM LIABILITIES (Continued)**

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

Years	<b>Governmental Activities</b>					
	OPWC Loans		Police/Firemen's Pension Accrued Liability		Long-Term Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$66,966	\$0	\$1,545	\$1,777	\$103,943	\$60,994
2018	66,966	0	1,612	1,711	108,020	56,916
2019	66,966	0	1,681	1,642	112,258	52,680
2020	66,966	0	1,753	1,569	116,660	48,276
2021	66,966	0	1,828	1,494	121,236	43,700
2022-2026	326,809	0	10,389	6,223	681,362	143,322
2027-2031	282,740	0	12,809	3,790	311,433	18,442
2032-2035	87,518	0	10,581	910	0	0
Totals	<u>\$1,031,897</u>	<u>\$0</u>	<u>\$42,198</u>	<u>\$19,116</u>	<u>\$1,554,912</u>	<u>\$424,330</u>

Years	<b>Business-Type Activities</b>					
	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$190,000	\$11,400	\$1,844,370	\$702,072	\$209,248	\$0
2018	190,000	5,700	1,913,073	633,357	209,246	0
2019	0	0	1,984,395	562,036	209,246	0
2020	0	0	2,058,439	487,993	209,246	0
2021	0	0	2,135,305	456,912	214,083	0
2022-2026	0	0	5,175,875	1,299,956	904,927	0
2027-2031	0	0	3,896,037	593,425	248,650	0
2032-2035	0	0	1,376,247	96,556	27,212	0
Totals	<u>\$380,000</u>	<u>\$17,100</u>	<u>\$20,383,741</u>	<u>\$4,832,307</u>	<u>\$2,231,858</u>	<u>\$0</u>

WWTP Secondary Improvements Phase II loans of \$3,074,455 and \$425,811, as well as the Wastewater Secondary Treatment Plant loan of \$497,189 are not included in the above maturity tables. The construction has started, but the loan is not payable until the construction is completed. At that time, loan payments will be determined.

# **CITY OF OREGON, OHIO**

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## **Notes to the Basic Financial Statements For the Year Ended December 31, 2016**

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### **NOTE 15 - CONSTRUCTION COMMITMENTS**

As of December 31, 2016, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Sanitary Sewer Rehab - Ph 4A	\$1,673,554	6/1/2017
Cedar Point Road Relocation	308,362	6/1/2017
Municipal Complex - Geothermal	34,194	6/1/2017
OCEC Raw Water Supply System	874,041	6/1/2017
Wynn Road Sanitary Trunk Sewer Project	8,661	6/1/2017
WWTP Secondary Treatment Imp - Ph 2	1,656,891	12/31/2017
Navarre Ave Safety Improvements	1,779,751	12/31/2017
WTP (HAB) Improvement (Ozone)	10,234,524	12/31/2017
Pickle Road Storm Relief Ditch	1,988,048	12/31/2017
Navarre Ave Waterline Replacement - Ph 1	1,904,588	12/31/2017
Southwest Water Distribution Improvements	1,432,621	12/31/2017
Navarre Ave Utility Relocation	643,821	12/31/2017
WWTP Sludge Dewatering Facility	3,111,093	12/31/2018
Old Millard Avenue Bridge Replacement Project	898,000	12/31/2018
Total	<u>\$26,548,149</u>	



# **CITY OF OREGON, OHIO**

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## ***Notes to the Basic Financial Statements For the Year Ended December 31, 2016***

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### **NOTE 16 - INSURANCE AND RISK MANAGEMENT**

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

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

#### **A. Self Insurance Fund**

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2014	\$600	\$31,609	(\$31,609)	\$600
2015	600	29,725	(29,525)	800
2016	800	27,319	(28,119)	0

# **CITY OF OREGON, OHIO**

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## **Notes to the Basic Financial Statements For the Year Ended December 31, 2016**

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### **NOTE 16 - INSURANCE AND RISK MANAGEMENT (Continued)**

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

The City is a participating member with the Ohio Municipal League Retrospective Rating Program. Retrospective (Retro) Rating is best described as a quasi self-insured program, which shifts a selected level of risk to the employer in return for a reduction in premium. Under the Retro plan employers are responsible for actual claims cost on all claims occurring within the program period. Retro claims have a ten-year life commencing with the date of injury. Claims cost for Retro claims incurred beyond ten years from the date of injury will be assumed by the Bureau. The City has a claims limit of \$200,000 per claim with a billable ceiling of 200% of the premium for 2016. 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>
2014	\$164,948	\$93,317	(\$185,547)	\$72,718
2015	72,718	(58,305)	(14,413)	0
2016	0	41,457	(41,457)	0

### **NOTE 17 - CONTINGENCIES**

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

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

### **NOTE 18 - CONDUIT DEBT OBLIGATION**

The City issued mortgage revenue bonds to provide financial assistance to The Alcore Oregon LLC in order to promote and advance the development of residential rental housing in the City of Oregon. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2016, the mortgage revenue bonds had an outstanding balance payable of \$6,100,000.

***REQUIRED SUPPLEMENTAL INFORMATION***

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# **CITY OF OREGON, OHIO**

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## ***Schedule of City's Proportionate Share of the Net Pension Liability Last Three Years***

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### **Ohio Public Employees Retirement System**

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.067134%	0.067134%	0.064599%
City's proportionate share of the net pension liability (asset)	\$7,914,224	\$8,097,111	\$11,189,300
City's covered-employee payroll	\$8,723,669	\$8,348,383	\$9,550,175
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.72%	96.99%	117.16%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

### **Ohio Police and Fire Pension Fund**

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.2153935%	0.2153935%	0.215371%
City's proportionate share of the net pension liability (asset)	\$10,490,339	\$11,158,281	\$13,854,991
City's covered-employee payroll	\$5,081,440	\$4,431,090	\$4,156,127
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	206.44%	251.82%	333.36%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

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

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## ***Schedule of City Contributions Last Four Years***

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	<b>Ohio Public Employees Retirement System</b>			
Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$1,134,077	\$1,001,806	\$1,146,021	\$1,044,516
Contributions in relation to the contractually required contribution	<u>1,134,077</u>	<u>1,001,806</u>	<u>1,146,021</u>	<u>1,044,516</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$8,723,669	\$8,348,383	\$9,550,175	\$8,704,300
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

	<b>Ohio Police and Fire Pension Fund</b>			
Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$867,910	\$902,170	\$834,966	\$1,007,155
Contributions in relation to the contractually required contribution	<u>867,910</u>	<u>902,170</u>	<u>834,966</u>	<u>1,007,155</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,081,440	\$4,431,090	\$4,156,127	\$5,013,216
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%	20.09%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.  
Information prior to 2013 is not available.

*INDEPENDENT AUDITOR'S REPORT*

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*INTERNAL CONTROL*

**INDEPENDENT AUDITORS' 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***

June 27, 2017

Honorable Mayor and  
Members of the City Council  
City of Oregon, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Oregon, Ohio* (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2017.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

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.

## Compliance and Other Matters

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

### City of Oregon, Ohio's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobarr LLC". The signature is written in a cursive, flowing style.



# CITY OF OREGON, OHIO

## Schedule of Findings and Responses

For the Year Ended December 31, 2016

### 2016-001 - Material Audit Adjustment/Restatement

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** During our audit, we identified and proposed a material adjustment (which was approved and posted by management) to restate the City's beginning net position of the governmental activities, business-type activities and water fund, as well as the beginning fund balance of the nonmajor governmental funds, to correct an error. Manuscript debt was improperly recorded during the prior audit. The prior auditors had proposed (and management had posted) an entry to record the manuscript debt for \$18,055, which should have been \$518,055. The difference of \$500,000 has been corrected through a restatement to both the governmental and business-type activities, as well as between the water fund and nonmajor governmental funds, as manuscript debt is an interfund loan.

**Cause.** When recording the manuscript debt in the prior year, the wrong balance was picked up in error by the predecessor auditors.

**Effect.** As a result of this error, the City's governmental activities and nonmajor governmental fund were overstated by \$500,000 and the business-type activities and water fund were understated by \$500,000.

**Recommendation.** Management already had the manuscript debt properly reflected in their accounting records. The Independent Public Accounting (IPA) firm preparing the financial statements has taken appropriate corrective action by posting correcting journal entries. We recommend that management review GAAP entries with the IPA firm to ensure balances are properly reflected.

**View of Responsible Officials.** The adjustment for the manuscript debt (interfund loan) was recorded as approved by our previous auditors. The City's internal records properly reflect the correct balance and the IPA firm has made the necessary adjustments to agree to our records.



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# Dave Yost • Auditor of State

CITY OF OREGON

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 3, 2017