

**CITY OF OBERLIN, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

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





# Dave Yost • Auditor of State

Members of the City Council  
City of Oberlin  
69 South Main Street  
Oberlin, OH 44074

We have reviewed the *Independent Auditors Report* of the City of Oberlin, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 Oberlin is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

August 15, 2012

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To Members of City Council  
City of Oberlin, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oberlin, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Ohio, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2012, on our consideration of the City of Oberlin, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 5 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and restated the December 31, 2010 fund balances of the Governmental Funds due to a change in fund structure.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

June 4, 2012

# CITY OF OBERLIN, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2011*

*Unaudited*

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The discussion and analysis of the City of Oberlin's ("the City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets increased \$1,625,268. Net assets of governmental activities increased \$798,266 from 2010. Net assets of business-type activities increased \$827,002 from 2010.
- ❑ General revenues accounted for \$9.1 million in revenue or 33.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 66.2% of total revenues of \$26.9 million.
- ❑ The City had \$10.6 million in expenses related to governmental activities; only \$2.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8.7 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$7.8 million in revenues and \$7.5 million in expenditures. The general fund's fund balance, including transfers, increased \$172,563 to \$10,104,498.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

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

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

# CITY OF OBERLIN, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2011*

*Unaudited*

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## **Government-wide Statements**

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

The two government-wide statements report the City's net assets and the changes in net assets from the prior year. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

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

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

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, electric, refuse and cable 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance municipal services programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**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 own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net assets between 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$14,694,162	\$15,644,401	\$19,952,378	\$19,406,339	\$34,646,540	\$35,050,740
Capital assets, Net	35,399,530	34,053,947	20,918,187	21,114,971	56,317,717	55,168,918
Total assets	50,093,692	49,698,348	40,870,565	40,521,310	90,964,257	90,219,658
Long-term debt outstanding	10,302,995	10,509,602	6,234,108	6,863,177	16,537,103	17,372,779
Other liabilities	1,530,617	1,726,932	741,133	589,811	2,271,750	2,316,743
Total liabilities	11,833,612	12,236,534	6,975,241	7,452,988	18,808,853	19,689,522
Net assets						
Invested in capital assets, net of related debt	25,958,680	25,192,157	15,434,298	15,043,674	41,392,978	40,235,831
Restricted	4,233,553	5,409,896	0	0	4,233,553	5,409,896
Unrestricted	8,067,847	6,859,761	18,461,026	18,024,648	26,528,873	24,884,409
Total net assets	<u>\$38,260,080</u>	<u>\$37,461,814</u>	<u>\$33,895,324</u>	<u>\$33,068,322</u>	<u>\$72,155,404</u>	<u>\$70,530,136</u>

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## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for Services and Sales	\$1,708,401	\$1,524,964	\$15,319,274	\$14,844,017	\$17,027,675	\$16,368,981
Operating Grants and Contributions	252,277	236,823	0	0	252,277	236,823
Capital Grants and Contributions	454,501	295,174	9,510	2,744	464,011	297,918
General revenues:						
Property Taxes	757,987	757,501	303,991	322,960	1,061,978	1,080,461
Municipal Income Taxes	5,211,051	5,268,838	0	0	5,211,051	5,268,838
Shared Revenues	1,560,489	1,771,625	38,177	36,092	1,598,666	1,807,717
Investment Earnings	214,343	284,574	163	0	214,506	284,574
Miscellaneous	979,632	877,528	0	0	979,632	877,528
Total revenues	11,138,681	11,017,027	15,671,115	15,205,813	26,809,796	26,222,840
<b>Program Expenses</b>						
Security of Persons and Property	2,895,540	4,167,266	0	0	2,895,540	4,167,266
Public Health and Welfare Services	141,088	143,170	0	0	141,088	143,170
Leisure Time Activities	745,485	807,593	0	0	745,485	807,593
Community Development	452,737	511,366	0	0	452,737	511,366
Basic Utility Services	237,136	239,352	0	0	237,136	239,352
Transportation	2,451,288	2,626,738	0	0	2,451,288	2,626,738
General Government	3,259,595	3,456,468	0	0	3,259,595	3,456,468
Interest and Fiscal Charges	370,150	254,452	0	0	370,150	254,452
Cable	0	0	0	7,195	0	7,195
Water	0	0	1,755,180	1,293,101	1,755,180	1,293,101
Sewer	0	0	1,536,733	1,203,827	1,536,733	1,203,827
Refuse	0	0	649,415	582,202	649,415	582,202
Electric	0	0	10,690,181	10,643,703	10,690,181	10,643,703
Total expenses	10,553,019	12,206,405	14,631,509	13,730,028	25,184,528	25,936,433
Excess (deficiency) before Transfers	585,662	(1,189,378)	1,039,606	1,475,785	1,625,268	286,407
Transfers In (Out)	212,604	249,290	(212,604)	(249,290)	0	0
Total Change in Net Assets	798,266	(940,088)	827,002	1,226,495	1,625,268	286,407
Beginning Net Assets	37,461,814	38,401,902	33,068,322	31,841,827	70,530,136	70,243,729
Ending Net Assets	\$38,260,080	\$37,461,814	\$33,895,324	\$33,068,322	\$72,155,404	\$70,530,136

## CITY OF OBERLIN, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2011*

*Unaudited*

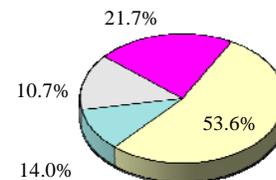
### **Governmental Activities**

Net assets of the City's governmental activities had an increase of \$798,266. Much of this increase can be attributed to the fact that more items were capitalized by the City during 2011 compared to 2010 as these items met the City's capitalization threshold of \$2,000 for capital assets and \$10,000 for infrastructure assets. When an item is capitalized, it is expensed over its useful life rather than in its entirety during the current year. This increase was somewhat offset by the increase in depreciation expense during 2011. The expenditures on the modified accrual basis differ than those on a full accrual basis because the expenditures for these capitalized items are only capitalized on a full accrual basis. This difference is a reconciling item between the Entity-Wide Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances. There was an overall decrease in expenditures due to additional depreciation and non-recurring expenses. Overall, revenues increased by 1.1% compared to 2010, due to various one-time non-general fund receipts.

The City also receives an income tax, which is based on 1.9% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 6.8% and 46.8%, respectively, of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating 53.6% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
General Shared Revenues	\$1,560,489	14.0%
Program Revenues	2,415,179	21.7%
General Tax Revenues	5,969,038	53.6%
General Other	1,193,975	10.7%
Total Revenue	\$11,138,681	100.00%



### **Business-Type Activities**

Net assets of the business-type activities increased by \$827,002. During 2011 expenses in the business-type activities increased by 6.6% however, this increase was offset by an increase in charges for services of 3.2%, causing the overall increase in net assets in 2011 to be less than that in 2010. The City also made capital improvements in all enterprise operations and obtained new infrastructure for continued development in the City in 2011 compared to 2010. User rates in the enterprise funds, other than electric, are evaluated annually by management according to rate formulas approved by the legislative body. Changes to user rates are made annually when necessary to keep pace with increased operational and capital costs. The generation component of the electric rates is adjusted monthly to reflect changes in fuel and other variable costs. Periodic rate studies are used to adjust the remaining components of the electric rates.

## **CITY OF OBERLIN, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$14,010,600, which is a decrease from last year's balance of \$14,822,355. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Restated Fund Balance December 31, 2010	Increase (Decrease)
General	\$10,104,498	\$9,931,935	\$172,563
Income Tax	1,556,123	2,021,586	(465,463)
Other Governmental	2,349,979	2,868,834	(518,855)
<b>Total</b>	<b>\$14,010,600</b>	<b>\$14,822,355</b>	<b>(\$811,755)</b>

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

	2011 Revenues	2010 Revenues	Increase (Decrease)
Taxes	\$3,806,013	\$3,815,093	(\$9,080)
Intergovernmental Revenue	1,718,462	1,847,719	(129,257)
Charges for Services	138,537	89,157	49,380
Licenses and Permits	262,725	228,161	34,564
Fines and Forfeitures	814,594	825,649	(11,055)
Investment Earnings	255,000	265,603	(10,603)
Special Assessments	2,583	689	1,894
All Other Revenue	822,670	758,121	64,549
<b>Total</b>	<b>\$7,820,584</b>	<b>\$7,830,192</b>	<b>(\$9,608)</b>

General Fund revenues in 2011 decreased by \$9,608 or less than 1% compared to revenues in fiscal year 2010.

	2011 Expenditures	2010 Expenditures	Increase (Decrease)
Security of Persons and Property	\$3,058,182	\$2,830,507	\$227,675
Public Health and Welfare Services	123,175	126,752	(3,577)
Leisure Time Activities	652,160	660,945	(8,785)
Community Development	366,105	397,854	(31,749)
Transportation	179,613	174,158	5,455
General Government	3,169,161	3,294,426	(125,265)
<b>Total</b>	<b>\$7,548,396</b>	<b>\$7,484,642</b>	<b>\$63,754</b>

General Fund expenditures increased by \$65,754 compared to the prior year mostly due to a full complement of employees within the police department and contractual wage increases and increases in the related benefits.

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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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 2011, the City amended its General Fund budget several times, to adjust for various budgetary needs.

For the General Fund, final budget basis revenue of \$7.2 million, not including other financing sources, did not change from the original budget. The General Fund had an adequate fund balance to cover expenditures.

For the Income Tax Fund, the fund balance decrease of \$465,463 is related to additional capital expenditures, including the purchase of a closed children's home from the County for redevelopment within the City.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal 2011, the City had \$56,317,717 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$35,399,530 was related to governmental activities and \$20,918,187 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2011</u>	<u>2010</u>	
Land	\$2,224,323	\$2,125,268	\$99,055
Construction in Progress	1,436,462	4,150,865	(2,714,403)
Buildings	13,171,258	9,284,875	3,886,383
Improvements Other Than Buildings	487,101	447,046	40,055
Machinery and Equipment	6,595,192	6,031,025	564,167
Infrastructure	35,032,930	34,371,556	661,374
Less: Accumulated Depreciation	<u>(23,547,736)</u>	<u>(22,356,688)</u>	<u>(1,191,048)</u>
Totals	<u>\$35,399,530</u>	<u>\$34,053,947</u>	<u>\$1,345,583</u>

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2011	2010	
Land	\$1,099,045	\$1,099,045	\$0
Construction in Progress	133,269	5,263,344	(5,130,075)
Buildings	6,728,298	5,640,542	1,087,756
Infrastructure	11,384,456	11,139,553	244,903
Improvements Other Than Buildings	1,063,299	941,943	121,356
Machinery and Equipment	19,261,701	15,165,421	4,096,280
Less: Accumulated Depreciation	(18,751,881)	(18,134,877)	(617,004)
Totals	\$20,918,187	\$21,114,971	(\$196,784)

The business-type activities experienced no significant overall change. The biggest difference here was the movement of the renovations of the water treatment facility from construction in progress to buildings and machinery and equipment. The increase in governmental activities was due primarily to the renovation of the fire station. Additional information on the City's capital assets can be found in Note 11.

### **Debt**

At December 31, 2011, the City had \$8.9 million in bonds outstanding, with \$468,922 being due within one year. The following table summarizes the City's long-term obligations outstanding as of December 31, 2011 and 2010:

	2011	2010
Governmental Activities:		
General Obligation Bonds	\$8,956,763	\$9,375,685
OPWC Loans Payable	484,086	330,104
Compensated Absences	862,146	803,813
Total Governmental Activities	10,302,995	10,509,602
Business-Type Activities:		
OWDA Loans Payable	\$5,483,889	\$6,071,297
Payable to Joint Venture	398,618	446,496
Compensated Absences	351,601	345,384
Total Business-Type Activities	6,234,108	6,863,177
Totals	\$16,537,103	\$17,372,779

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 County, is limited to ten mills. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 15.

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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### **ECONOMIC FACTORS**

The City's original budget for 2011 utilized conservative revenue estimates with increases in base operating costs. Expenditures were *projected* to exceed revenues in some of the funds, including the General Fund. City Council decided they wanted to maintain current service levels to the residents of the City by utilizing reserve fund balances. Original General Fund revenues were projected to be 12% less than the actual receipts for 2010. This was due to anticipated lower revenue from local government funds, estate taxes, interest revenues, and conservative based budgeting for income tax collections.

General Fund expenditures were originally budgeted at 5% more than 2010 actual expenditures. Actual expenditures were less than anticipated largely due to conservative budget practices.

City Council continues to pursue securing existing, and establishing new, revenue sources, while also focusing on controlling expenditures. City Council continues to maintain the fiscal stability of the City by utilizing a conservative approach towards budgeting and keeping a close watch on economic conditions.

### **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 440-775-7212 or writing to City of Oberlin Finance Department, 69 South Main Street, Oberlin, Ohio 44074.

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**CITY OF OBERLIN, OHIO**

**Statement of Net Assets**  
**December 31, 2011**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,046,551	\$ 2,106,802	\$ 5,153,353
Investments	10,270,689	13,226,464	23,497,153
Receivables:			
Taxes	1,863,840	351,910	2,215,750
Accounts	105,707	1,232,161	1,337,868
Intergovernmental	514,428	20,073	534,501
Interest	81,092	0	81,092
Special Assessments	23,219	0	23,219
Loans	393,727	0	393,727
Due from Other Funds	(1,682,477)	1,682,477	0
Inventory of Supplies at Cost	64,403	401,072	465,475
Prepaid Items	12,983	21,822	34,805
Capital Assets:			
Capital Assets Not Being Depreciated	3,660,785	1,232,314	4,893,099
Capital Assets Being Depreciated, Net	31,738,745	19,685,873	51,424,618
Investment in Joint Venture	0	909,597	909,597
<b>Total Assets</b>	<b>50,093,692</b>	<b>40,870,565</b>	<b>90,964,257</b>
<b>Liabilities:</b>			
Accounts Payable	76,892	247,625	324,517
Accrued Wages and Benefits	327,166	151,238	478,404
Due to Others	131,988	0	131,988
Unearned Revenue	928,313	342,270	1,270,583
Accrued Interest Payable	66,258	0	66,258
Long-Term Liabilities:			
Due Within One Year	812,952	548,127	1,361,079
Due in More Than One Year	9,490,043	5,685,981	15,176,024
<b>Total Liabilities</b>	<b>11,833,612</b>	<b>6,975,241</b>	<b>18,808,853</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	25,958,680	15,434,298	41,392,978
Restricted For:			
Capital Projects	2,640,536	0	2,640,536
Debt Service	296,940	0	296,940
Other Purposes	1,296,077	0	1,296,077
Unrestricted	8,067,847	18,461,026	26,528,873
<b>Total Net Assets</b>	<b>\$ 38,260,080</b>	<b>\$ 33,895,324</b>	<b>\$ 72,155,404</b>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2011**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 2,895,540	\$ 71,228	\$ 54,594	\$ 30,000
Public Health and Welfare Services	141,088	87,091	0	0
Leisure Time Activities	745,485	22,332	0	0
Community Development	452,737	238,302	0	0
Basic Utility Services	237,136	0	0	0
Transportation	2,451,288	10,273	197,683	424,501
General Government	3,259,595	1,279,175	0	0
Interest and Fiscal Charges	370,150	0	0	0
<b>Total Governmental Activities</b>	<b>10,553,019</b>	<b>1,708,401</b>	<b>252,277</b>	<b>454,501</b>
<b>Business-Type Activities:</b>				
Cable	0	11,696	0	0
Water	1,755,180	1,877,061	0	0
Sewer	1,536,733	1,954,442	0	0
Refuse	649,415	554,156	0	0
Electric	10,690,181	10,921,919	0	9,510
<b>Total Business-Type Activities</b>	<b>14,631,509</b>	<b>15,319,274</b>	<b>0</b>	<b>9,510</b>
<b>Totals</b>	<b>\$ 25,184,528</b>	<b>\$ 17,027,675</b>	<b>\$ 252,277</b>	<b>\$ 464,011</b>

**General Revenues**

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

Change in Net Assets

Net Assets Beginning of Year  
Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,739,718)	\$ 0	\$ (2,739,718)
(53,997)	0	(53,997)
(723,153)	0	(723,153)
(214,435)	0	(214,435)
(237,136)	0	(237,136)
(1,818,831)	0	(1,818,831)
(1,980,420)	0	(1,980,420)
(370,150)	0	(370,150)
(8,137,840)	0	(8,137,840)
0	11,696	11,696
0	121,881	121,881
0	417,709	417,709
0	(57,082)	(57,082)
0	241,248	241,248
0	735,452	735,452
\$ (8,137,840)	\$ 735,452	\$ (7,402,388)
757,987	303,991	1,061,978
5,211,051	0	5,211,051
1,560,489	38,177	1,598,666
214,343	163	214,506
979,632	0	979,632
212,604	(212,604)	0
8,936,106	129,727	9,065,833
798,266	827,002	1,625,268
37,461,814	33,068,322	70,530,136
\$ 38,260,080	\$ 33,895,324	\$ 72,155,404

**CITY OF OBERLIN, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2011**

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 763,928	\$ 90,206	\$ 2,104,112	\$ 2,958,246
Investments	8,441,714	1,171,857	657,118	10,270,689
Receivables:				
Taxes	1,106,553	301,081	456,206	1,863,840
Accounts	105,707	0	0	105,707
Intergovernmental	356,477	0	157,951	514,428
Interest	81,092	0	0	81,092
Special Assessments	22,417	0	802	23,219
Loans	0	0	393,727	393,727
Interfund Loans Receivables	287,243	0	0	287,243
Inventory of Supplies, at Cost	5,526	0	58,877	64,403
Prepaid Items	10,409	0	2,574	12,983
<b>Total Assets</b>	<b>\$ 11,181,066</b>	<b>\$ 1,563,144</b>	<b>\$ 3,831,367</b>	<b>\$ 16,575,577</b>
<b>Liabilities:</b>				
Accounts Payable	37,365	7,021	24,709	69,095
Accrued Wages and Benefits Payable	217,717	0	103,079	320,796
Due to Others	0	0	131,988	131,988
Interfund Loans Payable	0	0	287,243	287,243
Deferred Revenue	821,486	0	934,369	1,755,855
<b>Total Liabilities</b>	<b>1,076,568</b>	<b>7,021</b>	<b>1,481,388</b>	<b>2,564,977</b>
<b>Fund Balances:</b>				
Nonspendable	15,935	0	88,710	104,645
Restricted	0	0	1,896,155	1,896,155
Committed	0	1,556,123	431,882	1,988,005
Assigned	1,014,947	0	87,708	1,102,655
Unassigned	9,073,616	0	(154,476)	8,919,140
<b>Total Fund Balances</b>	<b>10,104,498</b>	<b>1,556,123</b>	<b>2,349,979</b>	<b>14,010,600</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 11,181,066</b>	<b>\$ 1,563,144</b>	<b>\$ 3,831,367</b>	<b>\$ 16,575,577</b>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2011***

---

**Total Governmental Fund Balances** \$ 14,010,600

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

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 30,884,463

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 827,542

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 assets. 2,892,411

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and therefore are not  
reported in the funds. (10,354,936)

***Net Assets of Governmental Funds*** \$ 38,260,080

See accompanying notes to the basic financial statements

## CITY OF OBERLIN, OHIO

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2011

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 511,847	\$ 0	\$ 256,594	\$ 768,441
Municipal Income Tax	3,294,166	1,916,573	312	5,211,051
Intergovernmental Revenues	1,718,462	0	543,591	2,262,053
Charges for Services	138,537	0	5,512	144,049
Licenses and Permits	262,725	0	0	262,725
Investment Earnings	255,000	0	2,551	257,551
Special Assessments	2,583	0	4,912	7,495
Fines and Forfeitures	814,594	0	158,848	973,442
All Other Revenue	822,670	135,166	410,533	1,368,369
<b>Total Revenues</b>	<b>7,820,584</b>	<b>2,051,739</b>	<b>1,382,853</b>	<b>11,255,176</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,058,182	0	364,048	3,422,230
Public Health and Welfare Services	123,175	0	0	123,175
Leisure Time Activities	652,160	0	9	652,169
Community Development	366,105	0	85,787	451,892
Basic Utility Services	0	0	216,459	216,459
Transportation	179,613	0	527,344	706,957
General Government	3,169,161	0	36,874	3,206,035
Capital Outlay	0	1,396,977	1,481,088	2,878,065
Debt Service:				
Principal Retirement	0	2,794	436,146	438,940
Interest & Fiscal Charges	0	0	373,356	373,356
<b>Total Expenditures</b>	<b>7,548,396</b>	<b>1,399,771</b>	<b>3,521,111</b>	<b>12,469,278</b>
Excess (Deficiency) of Revenues Over Expenditures	272,188	651,968	(2,138,258)	(1,214,102)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	3,755	0	0	3,755
OPWC Loans Issued	0	0	174,000	174,000
Transfers In	253,243	0	1,671,469	1,924,712
Transfers Out	(359,569)	(1,117,431)	(232,108)	(1,709,108)
<b>Total Other Financing Sources (Uses)</b>	<b>(102,571)</b>	<b>(1,117,431)</b>	<b>1,613,361</b>	<b>393,359</b>
Net Change in Fund Balances	169,617	(465,463)	(524,897)	(820,743)
<b>Fund Balances at Beginning of Year, as Restated</b>	<b>9,931,935</b>	<b>2,021,586</b>	<b>2,868,834</b>	<b>14,822,355</b>
Increase in Inventory	2,946	0	6,042	8,988
<b>Fund Balances at End of Year</b>	<b>\$ 10,104,498</b>	<b>\$ 1,556,123</b>	<b>\$ 2,349,979</b>	<b>\$ 14,010,600</b>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2011***

---

**Net Change in Fund Balances - Total Governmental Funds** \$ (820,743)

***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. 1,527,731

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. (29,187)

Capital assets transferred to Business-Type Activities (9,510)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (120,250)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 264,940

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,206

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (46,636)

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. 28,715

***Change in Net Assets of Governmental Activities*** \$ 798,266

See accompanying notes to the basic financial statements

## CITY OF OBERLIN, 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, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 501,149	\$ 501,149	\$ 511,847	\$ 10,698
Municipal Income Tax	3,377,000	3,377,000	3,419,264	42,264
Intergovernmental Revenue	1,193,386	1,164,053	1,811,763	647,710
Charges for Services	90,000	103,371	138,537	35,166
Licenses and Permits	213,650	213,650	247,618	33,968
Investment Earnings	240,112	240,112	271,416	31,304
Special Assessments	1,200	1,200	2,583	1,383
Fines and Forfeitures	787,000	787,000	816,065	29,065
All Other Revenues	779,802	782,302	788,936	6,634
Total Revenues	<u>7,183,299</u>	<u>7,169,837</u>	<u>8,008,029</u>	<u>838,192</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,178,898	3,162,777	3,078,013	84,764
Public Health and Welfare Services	135,721	133,921	123,341	10,580
Leisure Time Activities	673,921	688,421	652,940	35,481
Community Environment	430,953	430,953	397,533	33,420
Transportation	188,556	188,556	179,613	8,943
General Government	3,628,901	3,669,153	3,262,264	406,889
Total Expenditures	<u>8,236,950</u>	<u>8,273,781</u>	<u>7,693,704</u>	<u>580,077</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,053,651)	(1,103,944)	314,325	1,418,269
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	3,755	3,755
Transfers In	100,000	252,743	253,243	500
Transfers Out	(358,900)	(359,569)	(359,569)	0
Advances In	272,376	272,376	271,546	(830)
Advances Out	(200,000)	(297,000)	(287,243)	9,757
Total Other Financing Sources (Uses):	<u>(186,524)</u>	<u>(131,450)</u>	<u>(118,268)</u>	<u>13,182</u>
Net Change In Fund Balance	(1,240,175)	(1,235,394)	196,057	1,431,451
Fund Balance at Beginning of Year	8,515,060	8,515,060	8,515,060	0
Prior Year Encumbrances	197,870	197,870	197,870	0
Fund Balance at End of Year	<u>\$ 7,472,755</u>	<u>\$ 7,477,536</u>	<u>\$ 8,908,987</u>	<u>\$ 1,431,451</u>

See accompanying notes to the basic financial statements

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**CITY OF OBERLIN, OHIO**

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<b>Assets:</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 196,856	\$ 325,431	\$ 495,851
Investments	2,557,323	4,227,622	6,441,519
<i>Receivables:</i>			
Taxes	0	0	0
Accounts	150,995	135,444	903,081
Intergovernmental	0	0	0
Inventory of Supplies at Cost	23,651	1,110	376,311
Prepaid Items	3,018	6,164	9,860
<i>Total Current Assets</i>	<u>2,931,843</u>	<u>4,695,771</u>	<u>8,226,622</u>
<i>Non Current Assets:</i>			
Capital Assets, Net	11,779,027	7,409,118	1,510,139
Investment in Joint Venture	0	0	909,597
<b>Total Assets</b>	<u>14,710,870</u>	<u>12,104,889</u>	<u>10,646,358</u>
<b>Liabilities:</b>			
<i>Current Liabilities:</i>			
Accounts Payable	53,842	73,350	108,538
Accrued Wages and Benefits	38,997	27,397	72,836
Deferred Revenue	0	0	0
Compensated Absences Payable - Current	36,900	24,609	72,680
Ohio Water Development Authority Loans - Current	0	401,135	0
<i>Total Current Liabilities</i>	<u>129,739</u>	<u>526,491</u>	<u>254,054</u>
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	48,185	35,366	107,317
OWDA Loans Payable	4,438,791	643,963	0
Payable to Joint Venture	0	0	398,618
<b>Total Liabilities</b>	<u>4,616,715</u>	<u>1,205,820</u>	<u>759,989</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	7,340,236	6,364,020	1,510,139
Unrestricted	2,753,919	4,535,049	8,376,230
<b>Total Net Assets</b>	<u>\$ 10,094,155</u>	<u>\$ 10,899,069</u>	<u>\$ 9,886,369</u>

Adjustment to reflect the consolidation of internal  
service fund activities related to the enterprise funds.  
Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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Refuse	Cable	Total	Governmental Activities - Internal Service Funds
\$ 924,178	\$ 164,486	\$ 2,106,802	\$ 88,305
0	0	13,226,464	0
351,910	0	351,910	0
42,641	0	1,232,161	0
20,073	0	20,073	0
0	0	401,072	0
2,780	0	21,822	0
<u>1,341,582</u>	<u>164,486</u>	<u>17,360,304</u>	<u>88,305</u>
219,903	0	20,918,187	4,515,067
0	0	909,597	0
<u>1,561,485</u>	<u>164,486</u>	<u>39,188,088</u>	<u>4,603,372</u>
11,895	0	247,625	7,797
12,008	0	151,238	6,370
342,270	0	342,270	0
12,803	0	146,992	5,733
0	0	401,135	0
<u>378,976</u>	<u>0</u>	<u>1,289,260</u>	<u>19,900</u>
13,741	0	204,609	8,584
0	0	5,082,754	0
0	0	398,618	0
<u>392,717</u>	<u>0</u>	<u>6,975,241</u>	<u>28,484</u>
219,903	0	15,434,298	4,515,067
948,865	164,486	16,778,549	59,821
<u>\$ 1,168,768</u>	<u>\$ 164,486</u>	<u>32,212,847</u>	<u>\$ 4,574,888</u>
		<u>1,682,477</u>	
		<u>\$ 33,895,324</u>	

**CITY OF OBERLIN, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<b>Operating Revenues:</b>			
Charges for Services	1,877,061	1,954,442	10,900,923
<b>Total Operating Revenues</b>	<u>1,877,061</u>	<u>1,954,442</u>	<u>10,900,923</u>
<b>Operating Expenses:</b>			
Personal Services	919,232	671,695	2,256,920
Contractual Services	259,643	316,612	1,111,332
Materials and Supplies	82,117	31,276	0
Purchased Power	0	0	6,655,516
Depreciation	334,817	414,768	198,949
<b>Total Operating Expenses</b>	<u>1,595,809</u>	<u>1,434,351</u>	<u>10,222,717</u>
Operating Income (Loss)	<u>281,252</u>	<u>520,091</u>	<u>678,206</u>
<b>Nonoperating Revenues (Expenses):</b>			
Property Taxes	0	0	0
Intergovernmental Revenue	0	0	0
Investment Earnings	0	0	163
Interest Expense	(95,633)	(72,467)	(399,939)
Gain on Investment in Joint Venture	0	0	20,996
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(95,633)</u>	<u>(72,467)</u>	<u>(378,780)</u>
Income (Loss) Before Transfers and Contributions	<u>185,619</u>	<u>447,624</u>	<u>299,426</u>
Transfers Out	0	(24,676)	0
Capital Contributions	0	0	9,510
Change in Net Assets	185,619	422,948	308,936
Net Assets Beginning of Year	9,908,536	10,476,121	9,577,433
Net Assets End of Year	<u>\$ 10,094,155</u>	<u>\$ 10,899,069</u>	<u>\$ 9,886,369</u>

Change in Net Assets - Total Enterprise Funds

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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Refuse	Cable	Total	Governmental Activities - Internal Service Funds
554,156	11,696	15,298,278	404,331
554,156	11,696	15,298,278	404,331
276,353	0	4,124,200	148,552
285,538	0	1,973,125	103,213
0	0	113,393	178,749
0	0	6,655,516	0
47,353	0	995,887	143,451
609,244	0	13,862,121	573,965
(55,088)	11,696	1,436,157	(169,634)
303,991	0	303,991	0
38,177	0	38,177	0
0	0	163	0
0	0	(568,039)	0
0	0	20,996	0
342,168	0	(204,712)	0
287,080	11,696	1,231,445	(169,634)
(187,928)	0	(212,604)	(3,000)
0	0	9,510	0
99,152	11,696	1,028,351	(172,634)
1,069,616	152,790	31,184,496	4,747,522
<u>\$ 1,168,768</u>	<u>\$ 164,486</u>	<u>32,212,847</u>	<u>\$ 4,574,888</u>
		1,028,351	
		(201,349)	
		<u>\$ 827,002</u>	

**CITY OF OBERLIN, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,868,095	\$1,942,332	\$10,897,818
Cash Payments for Goods and Services	(345,264)	(297,460)	(7,805,729)
Cash Payments to Employees	(924,165)	(665,988)	(2,237,758)
Net Cash Provided (Used) for Operating Activities	<u>598,666</u>	<u>978,884</u>	<u>854,331</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers Out to Other Funds	0	(24,676)	0
Receipts of Property Taxes	0	0	0
Intergovernmental Revenue	0	0	0
Net Cash Provided (Used) for Noncapital Financing Activities	<u>0</u>	<u>(24,676)</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(296,173)	(365,183)	(70,954)
Proceeds from Ohio Water Development Authority Loans	6,893	0	0
Principal Paid on Ohio Water Development Authority Loans	(211,450)	(382,851)	0
Interest Paid on All Debt	(95,633)	(72,467)	(399,939)
Net Cash Used for Capital and Related Financing Activities	<u>(596,363)</u>	<u>(820,501)</u>	<u>(470,893)</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	158,834	134,361	27,183
Receipts of Interest	0	0	163
Net Cash Provided by Investing Activities	<u>158,834</u>	<u>134,361</u>	<u>27,346</u>
Net Increase (Decrease) in Cash and Cash Equivalents	161,137	268,068	410,784
Cash and Cash Equivalents at Beginning of Year	35,719	57,363	85,067
Cash and Cash Equivalents at End of Year	<u>\$196,856</u>	<u>\$325,431</u>	<u>\$495,851</u>

**CITY OF OBERLIN, OHIO**

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Refuse	Cable	Total	Governmental Activities - Internal Service Funds
\$555,335	\$11,696	\$15,275,276	\$404,331
(285,499)	0	(8,733,952)	(277,274)
(275,032)	0	(4,102,943)	(145,010)
(5,196)	11,696	2,438,381	(17,953)
(187,928)	0	(212,604)	(3,000)
308,894	0	308,894	0
36,201	0	36,201	0
157,167	0	132,491	(3,000)
0	0	(732,310)	0
0	0	6,893	0
0	0	(594,301)	0
0	0	(568,039)	0
0	0	(1,887,757)	0
0	0	320,378	0
0	0	163	0
0	0	320,541	0
151,971	11,696	1,003,656	(20,953)
772,207	152,790	1,103,146	109,258
\$924,178	\$164,486	\$2,106,802	\$88,305

(Continued)

**CITY OF OBERLIN, OHIO**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) for Operating Activities:</u>			
Operating Income (Loss)	\$281,252	\$520,091	\$678,206
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:			
Depreciation Expense	334,817	414,768	198,949
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(8,966)	(12,110)	(3,105)
Decrease (Increase) in Inventory	(9,342)	1,390	(36,631)
Decrease (Increase) in Prepaid Items	5	(63)	(793)
Increase (Decrease) in Accounts Payable	6,021	48,828	(329)
Increase in Accrued			
Wages and Benefits	2,854	2,236	7,611
Increase (Decrease) in			
Compensated Absences	(7,975)	3,744	10,423
Total Adjustments	<u>317,414</u>	<u>458,793</u>	<u>176,125</u>
Net Cash Provided (Used) for Operating Activities	<u>\$598,666</u>	<u>\$978,884</u>	<u>\$854,331</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2011, the Water, Sewer and Electric Funds had outstanding liabilities of \$12,415, \$14,416 and \$41,898 respectively, for the purchase of certain capital assets.

During 2011, the Electric Fund received \$9,510 of capital contributions from other sources.

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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<u>Refuse</u>	<u>Cable</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
(\$55,088)	\$11,696	\$1,436,157	(\$169,634)
47,353	0	995,887	143,451
1,179	0	(23,002)	0
0	0	(44,583)	0
202	0	(649)	0
(758)	0	53,762	4,671
1,891	0	14,592	850
25	0	6,217	2,709
<u>49,892</u>	<u>0</u>	<u>1,002,224</u>	<u>151,681</u>
<u>(\$5,196)</u>	<u>\$11,696</u>	<u>\$2,438,381</u>	<u>(\$17,953)</u>

**CITY OF OBERLIN, OHIO**

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***Statement of Assets and Liabilities***  
***Fiduciary Funds***  
***December 31, 2011***

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 265,366
Receivables:	
Taxes	861,867
Intergovernmental	<u>52,215</u>
<b>Total Assets</b>	<u>1,179,448</u>
<b>Liabilities:</b>	
Due to Others	<u>1,179,448</u>
<b>Total Liabilities</b>	<u>\$ 1,179,448</u>

See accompanying notes to the basic financial statements

## ***CITY OF OBERLIN, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

The City of Oberlin (City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City gained city status in 1951 and is a home rule municipal corporation under the laws of the State of Ohio. The City operates under a council-city manager form of government and provides the following services as authorized by the charter: public safety, public services, public utilities and recreation. Educational services are provided by the Oberlin School District. The school district is a separate governmental entity and its financial statements are not included in these financial statements. The City of Oberlin Municipal Court financial results are included as a part of these financial statements.

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

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

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

The City has been assigned by the County Auditor to collect voter approved real estate and personal property taxes on behalf of the Oberlin Public Library (Library). The City makes annual principal and interest expense payments for the Library to retire its outstanding debt.

##### **1. Joint Ventures with Equity Interest**

*Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1)* - The City is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 19 "Joint Ventures."

*Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2)* - The City is a participant with thirty-six subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-2 was created for that purpose. The Omega JV-2 is managed by AMP-Ohio which acts as the joint venture's agent. See Note 19 "Joint Ventures."

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

##### **A. Reporting Entity** (Continued)

###### **1. Joint Ventures with Equity Interest** (Continued)

*Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5)* - The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. See Note 19 "Joint Ventures."

*Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6)* - The City is a participant with ten subdivisions within the State of Ohio in a distributive generation project using wind turbine technology. The Omega JV-6 was created for that purpose. See Note 19 "Joint Ventures."

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

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

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

###### ***Governmental Funds***

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

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

Income Tax Fund - To account for financial resources committed for the major capital projects undertaken by the City.

## *CITY OF OBERLIN, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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

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

###### ***Proprietary Funds***

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

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

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

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

Electric Fund – To account for the operation of the City's electric generation and distribution service.

Refuse Fund – To account for the operation of the City's trash collection service.

Cable Fund – To account for the operation of the City's cable programming service.

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 two internal service funds, the Garage Fund and the Office Supplies Fund. The Garage Fund is used to account for monies received from city departments to cover the cost of servicing the vehicles of the City departments. The Office Supplies Fund is used to account for monies used to purchase office supplies used by City departments.

###### ***Fiduciary Funds***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The City has no trust funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on a full accrual basis of accounting. 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 three funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Library Levy Fund, which accounts for property taxes collected to fund the operations of the Library, and the Unclaimed Monies Fund, where the City is holding unclaimed funds due to others.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The internal service funds are 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. 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.

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.

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

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

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

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. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are 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 long-term debt which is recognized when due.

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

Special assessment installments, including related accrued interest which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes, which are measurable at December 31, 2011 but are not intended to finance 2011 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue as further described in Note 7 "Taxes".

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 recognized when incurred.

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

##### **E. Budgetary Process**

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The only funds required to be reported in the basic financial statements are the general fund and any major special revenue funds. The primary level of budgetary control is between categories within each department. Budgetary modifications may be made between categories by ordinance of the City Council.

##### **1. Tax Budget**

The Director of Finance and the City Manager submit an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

## ***CITY OF OBERLIN, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

##### **2. 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 statement reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

##### **3. 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 fund and category level, the legal level of control. 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 fund and category level may be modified during the year by an ordinance of City Council. During 2011, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. 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—(Non-GAAP Budgetary Basis) 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 OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

##### **4. Encumbrances**

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

##### **5. 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.

##### **6. 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 a 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 the 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 OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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

**E. Budgetary Process (Continued)**

**6. 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:

	General Fund
Net Change In Fund Balance	
GAAP Basis (as reported)	\$169,617
Increase (Decrease):	
Accrued Revenues at	
December 31, 2011	
received during 2012	(1,138,003)
Accrued Revenues at	
December 31, 2010	
received during 2011	1,335,001
Accrued Expenditures at	
December 31, 2011	
paid during 2012	255,082
Accrued Expenditures at	
December 31, 2010	
paid during 2011	(261,692)
2010 Prepays for 2011	10,873
2011 Prepays for 2012	(10,409)
Outstanding Encumbrances	(182,548)
Perspective Difference:	
Activity of Funds Reclassified	
for GAAP Reporting Purposes	18,136
Budget Basis	\$196,057

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 6, "Cash, Cash Equivalents and Investments."

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon City ordinance. 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 investments are considered, including those with a maturity of one year or less, and included in the calculation of the change in fair value. Fair value is determined by quoted market prices. See Note 6, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2011.

##### **H. Inventory**

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

##### **I. Capital Assets and Depreciation**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000.

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

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

# CITY OF OBERLIN, OHIO

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## *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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

#### **I. Capital Assets and Depreciation** (Continued)

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

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

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

##### 3. Depreciation

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

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	25 - 40
Improvements other than Buildings/Infrastructure	10 - 50
Vehicles	5 - 10
Machinery, Equipment, Furniture and Fixtures	5 - 20

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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

**J. 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
OPWC Loans	Income Tax Fund General Obligation Bond Retirement Fund
OWDA Loans	Water Fund Sewer Fund
Compensated Absences	General Fund Street Construction, Maintenance, and Repair Fund County Recycling Fund Electric Fund Water Fund Sewer Fund Refuse Fund Garage Fund

**K. Compensated Absences**

Each bargaining unit and the management staff earn vacation at different rates based upon length of service. No more than the amount of vacation accrued in the previous twelve month period can be carried forward into the next calendar year without consent from the appropriate authority. Any excess is eliminated from the employee's leave balance. In case of death, termination, or retirement, an employee or his estate is paid for the unused vacation balance.

All full-time employees earn sick leave at the rate of 4.6 hours for each pay period worked. Employees who work a 35 hour work week can accumulate a maximum of 210 hours of accrued sick time. Employees working a 37.5 hour work week accumulate a maximum sick pay accrual of 225 hours and employees working a 40 hour work week can accumulate a maximum accumulated sick leave balance of 240 hours.

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 OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

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

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

##### **L. Net Assets**

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

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

##### **M. 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.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

##### **M. Fund Balances (Continued)**

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

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

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

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

##### **N. Pensions**

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

##### **O. Interfund Activity**

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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

##### **P. Estimates**

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

##### **Q. 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, collection of solid waste refuse, electric production and distribution and cable programming. 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.

##### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

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**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

Delinquent Property Tax Revenue	\$21,699
Charges for Services	22,417
Shared Revenues	333,058
Interest Revenues	55,840
All Other Revenue	393,726
Special Assessment Revenue	802
	<hr/>
	\$827,542

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

General Obligation Bonds Payable	(\$8,956,763)
OPWC Loans Payable	(484,086)
Accrued Interest on Long-Term Debt	(66,258)
Compensated Absences Payable	(847,829)
	<hr/>
	(\$10,354,936)

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**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

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

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

Capital Outlay	\$3,322,902
Depreciation Expense	(1,795,171)
	<u>\$1,527,731</u>

*Governmental revenues not reported in the funds:*

Decrease in Delinquent Property Tax	(10,454)
Increase in Charges for Services	17,323
Decrease in Shared Revenue	(76,885)
Decrease in Interest Revenue	(43,208)
Decrease in All Other Revenue	(7,026)
	<u>(\$120,250)</u>

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

Increase in Compensated Absences Payable	(\$55,624)
Increase in supplies inventory	8,988
	<u>(\$46,636)</u>

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

***Fund Deficits*** - The fund deficits at December 31, 2011 of \$47,078 in the Community Housing Improvement Fund (special revenue fund), \$73,720 in the Police-Fire Pension Fund (special revenue fund), \$10,847 in the Utility Deposit Fund (special revenue fund) and \$22,831 in the Sidewalk Improvement Fund (capital projects fund) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary 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 OBERLIN, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

#### 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	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Principal	\$0	\$0	\$27,259	\$27,259
Prepaid Items	10,409	0	2,574	12,983
Supplies Inventory	5,526	0	58,877	64,403
Total Nonspendable	<u>15,935</u>	<u>0</u>	<u>88,710</u>	<u>104,645</u>
Restricted:				
Fire Station Improvement	0	0	119,558	119,558
Street Maintenance	0	0	153,096	153,096
State Highway Improvements	0	0	91,040	91,040
Library	0	0	9,717	9,717
County Recycling	0	0	3,638	3,638
CDBG Grant	0	0	184,613	184,613
DARE Grant	0	0	20,224	20,224
Home RLF	0	0	82,837	82,837
EMS Grant	0	0	896	896
Downtown Revitalization	0	0	4,685	4,685
DARE Trust	0	0	65,611	65,611
TIF East College Street	0	0	30,063	30,063
Indigent Alcohol Treatment	0	0	134,780	134,780
Indigent Interlock Monitor	0	0	33,805	33,805
Special Assessment Bond Retirement	0	0	275,490	275,490
Spring Street Park Improvement	0	0	11,377	11,377
Gasholder Renovation	0	0	10,693	10,693
Recreation Complex	0	0	17,008	17,008
OPWC Grants	0	0	73,331	73,331
Court Improvement/Computer	0	0	444,630	444,630
Clerk of Court Computer	0	0	129,063	129,063
Total Restricted	<u>0</u>	<u>0</u>	<u>1,896,155</u>	<u>1,896,155</u>
Committed:				
Capital Improvements	0	1,556,123	0	1,556,123
War Memorial	0	0	23,884	23,884
Utility Caring	0	0	55,768	55,768
Open Space	0	0	16,118	16,118
Subdivision	0	0	13,657	13,657
Parks	0	0	4,867	4,867
Equipment Replacement	0	0	317,588	317,588
Total Committed	<u>0</u>	<u>1,556,123</u>	<u>431,882</u>	<u>1,988,005</u>
Assigned	1,014,947	0	87,708	1,102,655
Unassigned	9,073,616	0	(154,476)	8,919,140
Total Fund Balances	<u>\$10,104,498</u>	<u>\$1,556,123</u>	<u>\$2,349,979</u>	<u>\$14,010,600</u>

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE**

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and Statement No. 59, “*Financial Instruments Omnibus*”.

Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions. While the application of this new standard did not have an effect on total prior year fund balances, it did result in the reclassification of funds as detailed below:

	General Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance				
at December 31, 2010	\$9,799,810	\$2,021,586	\$3,000,959	\$14,822,355
Fund Reclassification	132,125	0	(132,125)	0
Fund Balance, as restated	\$9,931,935	\$2,021,586	\$2,868,834	\$14,822,355

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the City’s financial statements.

**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash 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.

## ***CITY OF OBERLIN, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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).
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

**A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any country, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Such collateral, as permitted by Chapter 135 of the ORC is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the City.

At year end the carrying amount of the City's deposits was \$28,858,102 and the bank balance was \$29,023,848. Federal depository insurance covered \$23,171,903 of the bank balance. All remaining deposits were classified as Category 3.

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$5,851,945</u>
Total Balance	<u><u>\$5,851,945</u></u>

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**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2011 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>
			<u>less than 1</u>
STAR Ohio	<u>\$57,770</u>	AAAm <sup>1</sup>	<u>\$57,770</u>
Total Investments	<u><u>\$57,770</u></u>		<u><u>\$57,770</u></u>

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

*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 investment in Star Ohio was rated AAAm<sup>1</sup> by Standard & Poor's.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer.

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

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio is treated as a cash equivalent. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$5,418,719	\$23,497,153
Certificates of Deposit (with maturities of more than 3 months)	23,497,153	(23,497,153)
Investments:		
STAR Ohio	<u>(57,770)</u>	<u>57,770</u>
Per GASB Statement No. 3	<u><u>\$28,858,102</u></u>	<u><u>\$57,770</u></u>

\* Includes cash on hand.

## *CITY OF OBERLIN, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2011*

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#### **NOTE 7 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2009. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Tangible personal property tax revenues received in 2011 (other than public utility property) represent the collection of 2011 taxes. Tangible personal property taxes received in 2011 were levied after October 1, 2010, on the true value as of January 1, 2010. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax has been phased out. This percentage was reduced to 6.25% in 2008 and zero for subsequent years. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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

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

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 7 - TAXES (Continued)**

**A. Property Taxes (Continued)**

The full tax rate for the City's operations for the year ended December 31, 2011 was \$14.18 per \$1,000 of assessed value. The assessed value upon which the 2011 receipts were based was \$121,212,970. This amount constitutes \$120,789,370 in real property assessed value and \$423,600 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 1.418% (14.18 mills) of assessed value.

**B. Income Tax**

The City levies a tax of 1.9% 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 1.9% of taxable salaries, wages, commissions and other compensation.

Employers within the City are required to withhold income tax on employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011 consisted of taxes, interest, accounts receivable, special assessments, interfund loans, loans and intergovernmental receivables arising from shared revenues.

**NOTE 9 - INTERFUND BALANCES**

Individual interfund balances at December 31, 2011 that are expected to be paid within one year are as follows:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Funds:		
General Fund	\$287,243	\$0
Community Housing Improvement Fund	0	263,247
DARE Grant Fund	0	1,165
Sidewalk Improvement Fund	0	22,831
Totals	\$287,243	\$287,243

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 10 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2011:

Transfers In:	Transfers Out:						Total
	General Fund	Income Tax Fund	Other Governmental Funds	Garage Fund	Sewer Fund	Refuse Fund	
General Fund	\$0	\$100,000	\$153,243	\$0	\$0	\$0	\$253,243
Other Governmental Funds	359,569	1,017,431	78,865	3,000	24,676	187,928	1,671,469
Total	<u>\$359,569</u>	<u>\$1,117,431</u>	<u>\$232,108</u>	<u>\$3,000</u>	<u>\$24,676</u>	<u>\$187,928</u>	<u>\$1,924,712</u>

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them; (3) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; (4) for capital purchases authorized by council; and (5) move revenues to the Equipment Replacement Fund.

All transfers were made in accordance with the Ohio Revised Code sections 5705.14, 5705.15, and 5705.16.

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**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 11 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2011:

*Historical Cost:*

Class	December 31, 2010	Transfers	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>					
Land	\$2,125,268	\$0	\$99,055	\$0	\$2,224,323
Construction in Progress	4,150,865	0	1,249,915	(3,964,318)	1,436,462
Subtotal	<u>6,276,133</u>	<u>0</u>	<u>1,348,970</u>	<u>(3,964,318)</u>	<u>3,660,785</u>
<i>Capital assets being depreciated:</i>					
Buildings	9,284,875	0	3,886,383	0	13,171,258
Improvements Other than Buildings	447,046	0	40,055	0	487,101
Machinery and Equipment	6,031,025	(45,650)	1,051,289	(441,472)	6,595,192
Infrastructure	34,371,556	0	960,523	(299,149)	35,032,930
Subtotal	<u>50,134,502</u>	<u>(45,650)</u>	<u>5,938,250</u>	<u>(740,621)</u>	<u>55,286,481</u>
Total Cost	<u>\$56,410,635</u>	<u>(\$45,650)</u>	<u>\$7,287,220</u>	<u>(\$4,704,939)</u>	<u>\$58,947,266</u>

*Accumulated Depreciation:*

Class	December 31, 2010	Transfers	Additions	Deletions	December 31, 2011
Buildings	(\$1,946,892)	\$0	(\$287,433)	\$0	(\$2,234,325)
Improvements Other than Buildings	(51,189)	0	(19,705)	0	(70,894)
Machinery and Equipment	(4,294,766)	36,140	(438,887)	441,472	(4,256,041)
Infrastructure	(16,063,841)	0	(1,192,597)	269,962	(16,986,476)
Total Depreciation	<u>(\$22,356,688)</u>	<u>\$36,140</u>	<u>(\$1,938,622) *</u>	<u>\$711,434</u>	<u>(\$23,547,736)</u>
<i>Net Value:</i>	<u>\$34,053,947</u>				<u>\$35,399,530</u>

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

Security of Persons and Property	\$282,227
Public Health and Welfare Services	3,037
Leisure Time Activities	125,913
Community Development	3,237
Basic Utility Services	18,727
Transportation	1,303,488
General Government	<u>58,542</u>
Total Depreciation Expense recorded within the Governmental Activities	1,795,171
Amount of Depreciation Expense recorded in the Internal Service Fund	<u>143,451</u>
Total Depreciation Expense	<u>\$1,938,622</u>

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 11 - CAPITAL ASSETS (Continued)**

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

Summary by Category at December 31, 2011:

*Historical Cost:*

Class	December 31, 2010	Transfers	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>					
Land	\$1,099,045	\$0	\$0	\$0	\$1,099,045
Construction in Progress	5,263,344	0	127,383	(5,257,458)	133,269
Subtotal	<u>6,362,389</u>	<u>0</u>	<u>127,383</u>	<u>(5,257,458)</u>	<u>1,232,314</u>
<i>Capital assets being depreciated:</i>					
Buildings	5,640,542	0	1,087,756	0	6,728,298
Infrastructure	11,139,553	0	280,200	(35,297)	11,384,456
Improvements Other than Buildings	941,943	0	121,356	0	1,063,299
Machinery and Equipment	15,165,421	45,650	4,454,589	(403,959)	19,261,701
Subtotal	<u>32,887,459</u>	<u>45,650</u>	<u>5,943,901</u>	<u>(439,256)</u>	<u>38,437,754</u>
Total Cost	<u>\$39,249,848</u>	<u>\$45,650</u>	<u>\$6,071,284</u>	<u>(\$5,696,714)</u>	<u>\$39,670,068</u>

*Accumulated Depreciation:*

Class	December 31, 2010	Transfers	Additions	Deletions	December 31, 2011
Buildings	(\$2,860,936)	\$0	(\$110,489)	\$0	(\$2,971,425)
Infrastructure	(2,385,818)	0	(126,605)	11,064	(2,501,359)
Improvements Other than Buildings	(124,405)	0	(48,690)	0	(173,095)
Machinery and Equipment	(12,763,718)	(36,140)	(710,103)	403,959	(13,106,002)
Total Depreciation	<u>(\$18,134,877)</u>	<u>(\$36,140)</u>	<u>(\$995,887)</u>	<u>\$415,023</u>	<u>(\$18,751,881)</u>
<i>Net Value:</i>	<u>\$21,114,971</u>				<u>\$20,918,187</u>

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## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 12 – DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

##### **A. Ohio Public Employees Retirement System ("OPERS")**

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$793,188, \$803,680 and \$748,825, respectively, or 90.2% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009. The unpaid contribution to fund pension obligations for 2011, in the amount of \$77,846, is recorded as a liability within the respective funds.

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

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$306,084, \$302,561 and \$275,377, respectively, or 73.4% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009. The unpaid contribution to fund pension obligations for 2011, in the amount of \$81,398, is recorded as a liability within the respective funds.

#### **NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

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

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$226,625, \$294,577 and \$314,239, respectively, or 90.2% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009.

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

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

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

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

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

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$100,540, \$99,469 and \$90,363, respectively, or 73.4% of the required contributions for 2011 and 100% of the required contributions for 2010 and 2009.

#### **NOTE 14 – 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 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, 2011, the City's accumulated, unpaid compensated absences amounted to \$1,213,747, of which \$862,146 is recorded as a liability of the Governmental Activities and \$351,601 is recorded as a liability of the Business-Type Activities.

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 15 - LONG-TERM DEBT**

Long-term debt of the City at December 31, 2011 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2010	Additions	(Reductions)	Balance December 31, 2011	Amount Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
1973	5.500%	OWDA - Project #1207	2015	\$146,753	\$0	(\$26,290)	\$120,463	\$27,736
1990	7.770%	OWDA - Project #1807	2016	601,423	0	(91,965)	509,458	99,111
2000	3.630%	OWDA - Project #3293	2013	679,773	0	(264,596)	415,177	274,288
2008	2.000%	OWDA - Project #4875	2029	4,643,348	6,893	(211,450)	4,438,791	0
Total Ohio Water Development Authority Loans				6,071,297	6,893	(594,301)	5,483,889	401,135
Payable to Joint Venture				446,496	0	(47,878)	398,618	0
Compensated Absences				345,384	351,601	(345,384)	351,601	146,992
Total Business-Type Long-Term Debt				<u>\$6,863,177</u>	<u>\$358,494</u>	<u>(\$987,563)</u>	<u>\$6,234,108</u>	<u>\$548,127</u>
Governmental Activities:								
General Obligation Bonds:								
2000	5.500%	Recreation Facility	2014	\$135,685	\$0	(\$33,922)	\$101,763	\$33,922
2007	6.000%	Municipal Service Center	2027	3,800,000	0	(160,000)	3,640,000	165,000
2010	2.000%	Improvement Bonds	2030	5,440,000	0	(225,000)	5,215,000	270,000
Total General Obligation Bonds				9,375,685	0	(418,922)	8,956,763	468,922
Ohio Public Works Commission Loans:								
2006	0.000%	East Hamilton Road	2017	19,557	0	(2,794)	16,763	2,793
2006	0.000%	North Professor Street	2021	20,692	0	(1,970)	18,722	1,970
2010	0.000%	North Pleasant/Walnut Street	2029	289,855	0	(15,254)	274,601	15,256
2011	0.000%	North Professor, Union Street	2027	0	174,000	0	174,000	5,800
Total Ohio Public Commission Loans				330,104	174,000	(20,018)	484,086	25,819
Compensated Absences				803,813	862,146	(803,813)	862,146	318,211
Total Governmental Activities Long-Term Debt				<u>\$10,509,602</u>	<u>\$1,036,146</u>	<u>(\$1,242,753)</u>	<u>\$10,302,995</u>	<u>\$812,952</u>

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**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 15 - LONG-TERM DEBT (Continued)**

**A. Future Long-Term Financing Requirements**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2011 follows:

Years	General		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$468,922	\$326,337	\$401,135	\$61,735	\$25,819	\$0
2013	483,922	309,171	527,096	42,461	31,617	0
2014	498,922	291,505	537,003	32,552	31,617	0
2015	475,000	273,606	547,671	21,883	31,617	0
2016	410,000	224,900	314,503	7,898	31,617	0
2017-2021	2,269,997	1,082,139	1,251,664	14,600	144,943	0
2022-2026	2,770,000	639,634	1,250,665	14,600	135,297	0
2027-2030	1,580,000	88,847	654,152	3,283	51,559	0
Totals	<u>\$8,956,763</u>	<u>\$3,236,139</u>	<u>\$5,483,889</u>	<u>\$199,012</u>	<u>\$484,086</u>	<u>\$0</u>

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**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011***

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**NOTE 16 - CONSTRUCTION COMMITMENTS**

As of December 31, 2011 the City had the following commitments with respect to capital projects:

Project	Remaining Construction Commitment	Expected Date of Completion
Park Street Bridge	\$10,687	2012
2011 Paving Improvements	108,585	2012
Artino,Stern,Sumner St. Inspection	24,967	2012
Gates at Cemetery	24,000	2012
Fire Station	2,521	2012
Fire Station	7,088	2012
Fire Station	2,576	2012
Fire Station	107,611	2012
Zavodsky House	6,550	2012
ADA Doors- Finance Office	5,360	2012
Morgan St. Waterworks Bldg.	4,980	2012
Recreation Complex Bldg. Roof	19,070	2012
Park Street Storm Sewer	5,092	2012
WEPF Headworks Design	3,664	2012
Gasholder Bldg.	123,361	2012
Gasholder Bldg.	377,100	2012
Gasholder Bldg.	45,216	2012
N.Professor,Union, Woodland Improve.	2,918	2012
N.Professor,Union, Woodland Improve.	56,869	2012
Water Treatment Plant Improvements	2,021	2012
Water Distribution Bldg. Improvements	15,902	2012
Artino St. Liftstation	64,225	2012
Total	<u>\$1,020,363</u>	

## ***CITY OF OBERLIN, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 17 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to property and casualty, general liability, workers' compensation and employee health and dental benefits.

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

The City participates in the Buckeye Ohio Risk Management Agency, Inc., (BORMA, Inc.); a public entity shared risk pool consisting of several cities in northern Ohio. The City pays monthly premiums for health care coverage for its employees to BORMA. The City pays annual premiums to the Public Entities Pool (PEP) and other insurance carriers for general liability and property insurance. BORMA is responsible for the management and operations of the health insurance programs. Member Cities agree to share in coverage of losses and pay all premiums necessary for the specified health insurance coverage. Member Cities are subject to supplemental assessments.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll plus administrative costs. The rate is determined based on accident history of the North Central Ohio Municipal Finance Officers Association. The City also pays unemployment claims to the State of Ohio as incurred.

There has been no significant reduction in insurance coverages compared to 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.

#### **NOTE 18 - CONTINGENCIES**

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

## ***CITY OF OBERLIN, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 19 - JOINT VENTURES**

##### **A. Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1)**

The City is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The City's net investment and its share of the operating results of Omega JV-1 are reported in the City's electric fund (an enterprise fund). The City's equity interest in Omega JV-1 was \$25,652 at December 31, 2011. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the City's Finance Director.

##### **B. Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2)**

The City of Oberlin is a Financing Participant and an Owner Participant with percentages of liability and ownership of 1.16% and .91% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 19 - JOINT VENTURES (Continued)**

##### **B. Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2) (Continued)**

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011 the City of Oberlin has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2011, the outstanding debt was \$23,633,931. The City's net obligation for this amount at December 31, 2011 was \$274,154. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$265,026 at December 31, 2011. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

**NOTE 19 - JOINT VENTURES (Continued)**

**B. Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2) (Continued)**

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2011 are:

<b>Municipality</b>	<b>Percent Ownership</b>	<b>Kw Entitlement</b>	<b>Municipality</b>	<b>Percent Ownership</b>	<b>Kw Entitlement</b>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			<b>Grand Total</b>	<b>100.00%</b>	<b>134,081</b>

The City's liability for the bonds are disclosed below:

	Years	Principal	Interest	Total Debt Service
2012		29,994	16,390	46,384
2013		31,558	14,815	46,373
2014		33,180	13,159	46,339
2015		34,917	11,417	46,334
2016-2020		144,505	29,675	174,180
Total Gross Liability		<u>274,154</u>	<u>85,456</u>	<u>359,610</u>
Net Obligation		<u>\$274,154</u>		

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 19 - JOINT VENTURES (Continued)**

##### **C. Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5)**

The City of Oberlin is a Financing Participant with an ownership percentage of 3.02%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement, the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011 Oberlin has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 19 - JOINT VENTURES (Continued)**

##### **C. Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) (Continued)**

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$320,758 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

##### **D. Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6)**

The City of Oberlin is a Financing Participant with an ownership percentage of 3.47%, and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2011***

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#### **NOTE 19 - JOINT VENTURES (Continued)**

##### **D. Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6) (Continued)**

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011 Oberlin has met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The City's net obligation for these bonds at December 31, 2011 was \$124,464 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The City's net investment and its share of operating results of OMEGA JV6 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV6 was \$298,161 at December 31, 2011. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2011**

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**NOTE 19 - JOINT VENTURES (Continued)**

**D. Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6) (Continued)**

The ten participating subdivisions and their respective ownership shares at December 31, 2011 are:

<u>Participant</u>	<u>KW Amount</u>	<u>% of Financing</u>
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Oberlin	250	3.47%
Wadsworth	250	3.47%
Edgeton	100	1.39%
Elmore	100	1.39%
Montpelier	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
Total	<u>7,200</u>	<u>100.00%</u>

The City's liability for the bonds are disclosed below:

Years	Principal	Interest	Total Debt Service
2012	31,230	3,970	35,200
2013	31,155	4,045	35,200
2014	32,414	2,786	35,200
2015	33,723	1,477	35,200
2016	11,548	231	11,779
Total Gross Liability	<u>140,070</u>	<u>12,509</u>	<u>152,579</u>
Less: Amounts Held in Reserve	<u>(15,606)</u>		
Net Obligation	<u>\$124,464</u>		

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

To the Members of City Council  
City of Oberlin, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Oberlin, Ohio's basic financial statements and have issued our report thereon dated June 4, 2012, wherein we noted that the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions* and restated the December 31, 2010 fund balances of the Governmental Funds due to a change in fund structure. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

We noted a certain matter that we reported to management of the City of Oberlin, Ohio, in a separate letter dated June 4, 2012.

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



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

June 4, 2012

**CITY OF OBERLIN, OHIO**  
**STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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The prior audit report, as of December 31, 2010, included no citations or instances of noncompliance. Management letter recommendations have been corrected or procedures instituted to prevent occurrences in this audit period.



# Dave Yost • Auditor of State

CITY OF OBERLIN

LORAIN 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  
AUGUST 28, 2012