

***CITY OF OBERLIN, OHIO***

---

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2008**

*Prepared by:*  
**Salvatore Talarico**  
**Director of Finance**





Mary Taylor, CPA  
Auditor of State

Members of Council  
City of Oberlin  
85 South Main Street  
Oberlin, Ohio 44074

We have reviewed the *Independent Auditor's Report* of the City of Oberlin, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2008 through December 31, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 25, 2009

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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 Mary Taylor  
Auditor of State  
State of Ohio

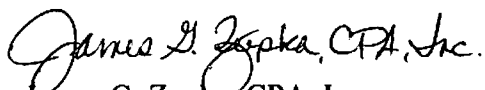
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio as of and for the year ended December 31, 2008, which collectively comprise the 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2009, 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.

Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

May 29, 2009



## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***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, 2008. 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 2008 are as follows:

- ❑ In total, net assets increased \$1,172,016. Net assets of governmental activities increased \$1,106,290 from 2007. Net assets of business-type activities increased \$65,726 from 2007.
- ❑ General revenues accounted for \$9.8 million in revenue or 37% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 63% of total revenues of \$26.6 million.
- ❑ The City had \$10.5 million in expenses related to governmental activities; only \$2.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8.8 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$8.0 million in revenues and \$7.1 million in expenditures. The general fund's fund balance increased \$660,906 to \$9,584,668.

### **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, 2008*

*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, 2008**

**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 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$13,624,946	\$12,680,494	\$18,958,041	\$18,645,017	\$32,582,987	\$31,325,511
Capital assets, Net	31,794,788	31,808,223	18,657,327	17,443,722	50,452,115	49,251,945
Total assets	45,419,734	44,488,717	37,615,368	36,088,739	83,035,102	80,577,456
Long-term debt outstanding	5,104,012	5,464,811	5,791,988	3,814,744	10,896,000	9,279,555
Other liabilities	1,748,885	1,563,359	646,939	1,163,280	2,395,824	2,726,639
Total liabilities	6,852,897	7,028,170	6,438,927	4,978,024	13,291,824	12,006,194
Net assets						
Invested in capital assets, net of related debt	27,446,483	26,889,290	14,008,505	14,510,502	41,454,988	41,399,792
Restricted	3,952,334	3,866,304	0	0	3,952,334	3,866,304
Unrestricted	7,168,020	6,704,953	17,167,936	16,600,213	24,335,956	23,305,166
Total net assets	<u>\$38,566,837</u>	<u>\$37,460,547</u>	<u>\$31,176,441</u>	<u>\$31,110,715</u>	<u>\$69,743,278</u>	<u>\$68,571,262</u>

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## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 and 2007:

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues:						
Charges for Services and Sales	\$1,370,265	\$1,497,523	\$13,901,290	\$13,734,174	\$15,271,555	\$15,231,697
Operating Grants and Contributions	478,491	1,104,836	0	0	478,491	1,104,836
Capital Grants and Contributions	771,170	30,623	267,815	2,638	1,088,985	33,261
General revenues:						
Property Taxes	887,408	835,652	352,804	332,671	1,240,212	1,168,323
Municipal Income Taxes	4,679,676	4,965,833	550,535	584,270	5,230,211	5,550,103
Shared Revenues	1,573,053	1,356,608	0	0	1,573,053	1,356,608
Investment Earnings	893,291	1,248,161	95,167	25,638	988,458	1,273,799
Miscellaneous	779,054	912,299	0	0	779,054	912,299
Total revenues	<u>11,432,408</u>	<u>11,951,535</u>	<u>15,167,611</u>	<u>14,679,391</u>	<u>26,600,019</u>	<u>26,630,926</u>
Program Expenses						
Security of Persons and Property	3,388,212	2,892,389	0	0	3,388,212	2,892,389
Public Health and Welfare Services	121,597	116,219	0	0	121,597	116,219
Leisure Time Activities	744,620	812,977	0	0	744,620	812,977
Community Development	639,827	1,134,005	0	0	639,827	1,134,005
Basic Utility Services	251,212	105,950	0	0	251,212	105,950
Transportation	1,770,277	2,049,031	0	0	1,770,277	2,049,031
General Government	3,321,550	2,798,068	0	0	3,321,550	2,798,068
Interest and Fiscal Charges	264,325	191,318	0	0	264,325	191,318
Cable	0	0	11,045	22,503	11,045	22,503
Water	0	0	2,622,647	1,233,689	2,622,647	1,233,689
Sewer	0	0	1,452,526	1,067,054	1,452,526	1,067,054
Refuse	0	0	659,698	58,111	659,698	58,111
Electric	0	0	10,180,467	9,758,220	10,180,467	9,758,220
Total expenses	<u>10,501,620</u>	<u>10,099,957</u>	<u>14,926,383</u>	<u>12,139,577</u>	<u>25,428,003</u>	<u>22,239,534</u>
Excess (deficiency) before Transfers	930,788	1,851,578	241,228	2,539,814	1,172,016	4,391,392
Transfers In (Out)	<u>175,502</u>	<u>106,368</u>	<u>(175,502)</u>	<u>(106,368)</u>	<u>0</u>	<u>0</u>
Total Change in Net Assets	1,106,290	1,957,946	65,726	2,433,446	1,172,016	4,391,392
Beginning Net Assets	<u>37,460,547</u>	<u>35,502,601</u>	<u>31,110,715</u>	<u>28,677,269</u>	<u>68,571,262</u>	<u>64,179,870</u>
Ending Net Assets	<u>\$38,566,837</u>	<u>\$37,460,547</u>	<u>\$31,176,441</u>	<u>\$31,110,715</u>	<u>\$69,743,278</u>	<u>\$68,571,262</u>

# CITY OF OBERLIN, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2008

Unaudited

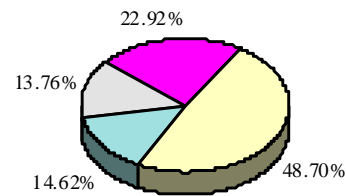
### Governmental Activities

Net assets of the City's governmental activities increased by \$1,106,290. This increase was primarily due to additional revenue from various sources, including property taxes and court revenue. Overall, revenues increased by 12% compared to 2007, even though inheritance tax revenue decreased on a modified accrual basis compared to 2007. There was an overall decrease in expenditures by function during 2008, mostly due to the fact that most of the work done on the new Central Garage took place during 2007. The new garage was funded by several of the departments within the City and in turn will be used to provide services to these user departments.

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 7.77% and 40.93%, respectively, of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 48.70% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
General Shared Revenues	\$1,573,053	13.76%
Program Revenues	2,619,926	22.92%
General Tax Revenues	5,567,084	48.70%
General Other	1,672,345	14.62%
Total Revenue	<u>\$11,432,408</u>	<u>100.00%</u>



### Business-Type Activities

Net assets of the business-type activities increased by \$65,726. This increase was due mainly to the decreases in operating expenditures in the water and wastewater funds. The City also underwent sewer and water upgrades, and obtained new infrastructure for continued development in the City in 2008 compared to 2007, most of which was under construction at year-end 2008. 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, 2008*

*Unaudited*

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$13,124,105, which is an increase from last year's balance of \$12,233,155. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2008 and 2007:

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase (Decrease)
General	\$9,584,668	\$8,923,762	\$660,906
Income Tax	1,189,915	1,361,513	(171,598)
Other Governmental	2,349,522	1,947,880	401,642
Total	<u>\$13,124,105</u>	<u>\$12,233,155</u>	<u>\$890,950</u>

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

	2008 Revenues	2007 Revenues	Increase (Decrease)
Taxes	\$3,806,010	\$3,971,653	(\$165,643)
Intergovernmental Revenue	1,432,357	1,529,416	(97,059)
Charges for Services	85,006	161,566	(76,560)
Licenses and Permits	259,260	166,309	92,951
Fines and Forfeitures	837,461	720,275	117,186
Investment Earnings	887,479	1,231,961	(344,482)
Special Assessments	1,274	2,858	(1,584)
All Other Revenue	725,475	718,507	6,968
Total	<u>\$8,034,322</u>	<u>\$8,502,545</u>	<u>(\$468,223)</u>

General Fund revenues in 2008 decreased approximately 5.5% compared to revenues in fiscal year 2007.

	2008 Expenditures	2007 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,738,462	\$2,455,844	\$282,618
Public Health and Welfare Services	117,109	117,649	(540)
Leisure Time Activities	619,104	566,465	52,639
Community Development	394,237	274,160	120,077
Transportation	192,542	209,470	(16,928)
General Government	3,016,749	2,840,051	176,698
Total	<u>\$7,078,203</u>	<u>\$6,463,639</u>	<u>\$614,564</u>

General Fund expenditures increased by \$614,564 or 9.5% compared to the prior year mostly due to contractual wage increases, and increases in health care and workers' comp premiums.

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.

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Unaudited**

During the course of fiscal year 2008, the City amended its General Fund budget several times, to adjust for various budgetary needs.

For the General Fund, final budget basis revenue of \$7.3 million was the same as the original budget estimates. The General Fund had an adequate fund balance to cover expenditures.

For the Income Tax Fund, the fund balance decrease of \$171,598 is related to the increase in transfers for the City's share of the State Issue II project during 2008 and additional expenditures related to the anticipated expansion and renovation of the City's fire station.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2008, the City had \$50,452,115 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$31,794,788 was related to governmental activities and \$18,657,327 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
	Land	\$2,148,180	\$2,148,180
Construction in Progress	1,289,911	320,912	968,999
Buildings	9,284,887	9,243,039	41,848
Improvements Other Than Buildings	243,790	218,890	24,900
Machinery and Equipment	5,705,850	5,243,650	462,200
Infrastructure	33,026,286	32,872,165	154,121
Less: Accumulated Depreciation	(19,904,116)	(18,238,613)	(1,665,503)
Totals	\$31,794,788	\$31,808,223	(\$13,435)

	Business-Type Activities		Increase (Decrease)
	2008	2007	
	Land	\$1,096,301	\$1,096,301
Construction in Progress	2,247,115	4,228,427	(1,981,312)
Buildings	7,322,616	3,768,079	3,554,537
Infrastructure	10,157,637	10,108,271	49,366
Improvements Other Than Buildings	333,541	137,387	196,154
Machinery and Equipment	13,589,995	13,317,755	272,240
Less: Accumulated Depreciation	(16,089,878)	(15,212,498)	(877,380)
Totals	\$18,657,327	\$17,443,722	\$1,213,605

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Unaudited***

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The governmental activities experienced no significant change. The increase in business-type activities was due primarily to the addition of the wastewater plant improvements. Additional information on the City's capital assets can be found in Note 10.

### ***Debt***

At December 31, 2008, the City had \$4.4 million in bonds outstanding, with \$318,922 being due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bonds	\$4,438,530	\$4,820,898
OPWC Loans Payable	49,775	54,538
Capital Leases	0	43,497
Compensated Absences	615,707	545,878
Total Governmental Activities	<u>5,104,012</u>	<u>5,464,811</u>
Business-Type Activities:		
Mortgage Revenue Bonds	\$0	\$295,000
OWDA Loans Payable	4,648,822	2,638,220
Payable to Joint Venture	567,343	622,666
Compensated Absences	308,008	258,858
Total Business-Type Activities	<u>5,524,173</u>	<u>3,814,744</u>
Totals	<u>\$10,628,185</u>	<u>\$9,279,555</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the County, is limited to ten mills. At December 31, 2008, 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.

### **ECONOMIC FACTORS**

The City's original budget for 2008 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 9% less than the actual receipts for 2008. This was due to anticipated lower revenue from interest due to market uncertainties, court revenue, as fines and court costs can vary significantly from year to year, and conservative based budgeting for income tax collections.

General Fund expenditures were originally budgeted at 9% more than 2008 actual expenditures. Actual expenditures were less than anticipated largely due to conservative budget practices. In addition, one position was vacant in 2008.



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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2008***

***Unaudited***

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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, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,037,082	\$ 1,371,013	\$ 3,408,095
Investments	9,841,715	12,371,624	22,213,339
Receivables:			
Taxes	2,164,516	478,664	2,643,180
Accounts	92,419	1,108,936	1,201,355
Intergovernmental	1,005,713	17,791	1,023,504
Interest	193,519	265,562	459,081
Special Assessments	5,039	0	5,039
Loans	309,811	0	309,811
Internal Balances	(2,096,089)	2,096,089	0
Inventory of Supplies at Cost	53,340	288,945	342,285
Prepaid Items	17,881	21,607	39,488
Capital Assets:			
Capital Assets Not Being Depreciated	3,438,091	3,343,416	6,781,507
Capital Assets Being Depreciated, Net	28,356,697	15,313,911	43,670,608
Investment in Joint Venture	0	937,810	937,810
<b>Total Assets</b>	<u>45,419,734</u>	<u>37,615,368</u>	<u>83,035,102</u>
<b>Liabilities:</b>			
Accounts Payable	157,955	315,422	473,377
Accrued Wages and Benefits	546,520	264,316	810,836
Due to Others	131,988	0	131,988
Unearned Revenue	894,770	335,016	1,229,786
Accrued Interest Payable	17,652	0	17,652
Long-Term Liabilities:			
Due Within One Year	591,077	469,552	1,060,629
Due in More Than One Year	4,512,935	5,054,621	9,567,556
<b>Total Liabilities</b>	<u>6,852,897</u>	<u>6,438,927</u>	<u>13,291,824</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	27,446,483	14,008,505	41,454,988
Restricted For:			
Capital Projects	2,050,540	0	2,050,540
Debt Service	347,692	0	347,692
Other Purposes	1,554,102	0	1,554,102
Unrestricted	7,168,020	17,167,936	24,335,956
<b>Total Net Assets</b>	<u>\$ 38,566,837</u>	<u>\$ 31,176,441</u>	<u>\$ 69,743,278</u>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2008**

	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	\$ 3,388,212	\$ 65,124	\$ 5,575	\$ 0
Public Health and Welfare Services	121,597	32,361	0	0
Leisure Time Activities	744,620	25,679	0	0
Community Development	639,827	0	154,096	361,859
Basic Utility Services	251,212	0	87,911	0
Transportation	1,770,277	20,541	230,909	409,311
General Government	3,321,550	1,226,560	0	0
Interest and Fiscal Charges	264,325	0	0	0
<b>Total Governmental Activities</b>	<b>10,501,620</b>	<b>1,370,265</b>	<b>478,491</b>	<b>771,170</b>
<b>Business-Type Activities:</b>				
Cable	11,045	37,838	0	0
Water	2,622,647	1,768,458	0	267,815
Sewer	1,452,526	1,635,719	0	0
Refuse	659,698	311,373	0	0
Electric	10,180,467	10,147,902	0	0
<b>Total Business-Type Activities</b>	<b>14,926,383</b>	<b>13,901,290</b>	<b>0</b>	<b>267,815</b>
<b>Totals</b>	<b>\$ 25,428,003</b>	<b>\$ 15,271,555</b>	<b>\$ 478,491</b>	<b>\$ 1,038,985</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
\$ (3,317,513)	\$ 0	\$ (3,317,513)
(89,236)	0	(89,236)
(718,941)	0	(718,941)
(123,872)	0	(123,872)
(163,301)	0	(163,301)
(1,109,516)	0	(1,109,516)
(2,094,990)	0	(2,094,990)
<u>(264,325)</u>	<u>0</u>	<u>(264,325)</u>
<u>(7,881,694)</u>	<u>0</u>	<u>(7,881,694)</u>
0	26,793	26,793
0	(586,374)	(586,374)
0	183,193	183,193
0	(348,325)	(348,325)
<u>0</u>	<u>(32,565)</u>	<u>(32,565)</u>
<u>0</u>	<u>(757,278)</u>	<u>(757,278)</u>
<u>(7,881,694)</u>	<u>(757,278)</u>	<u>(8,638,972)</u>
887,408	352,804	1,240,212
4,679,676	550,535	5,230,211
1,573,053	0	1,573,053
893,291	95,167	988,458
779,054	0	779,054
<u>175,502</u>	<u>(175,502)</u>	<u>0</u>
<u>8,987,984</u>	<u>823,004</u>	<u>9,810,988</u>
1,106,290	65,726	1,172,016
<u>37,460,547</u>	<u>31,110,715</u>	<u>68,571,262</u>
<u>\$ 38,566,837</u>	<u>\$ 31,176,441</u>	<u>\$ 69,743,278</u>

**CITY OF OBERLIN, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2008**

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 265,340	\$ 28,116	\$ 1,702,246	\$ 1,995,702
Investments	8,151,610	863,774	826,331	9,841,715
Receivables:				
Taxes	1,438,280	315,336	410,900	2,164,516
Accounts	92,419	0	0	92,419
Intergovernmental	430,261	0	575,452	1,005,713
Interest	173,991	19,528	0	193,519
Special Assessments	4,237	0	802	5,039
Loans	0	0	309,811	309,811
Interfund Loans Receivables	432,313	0	0	432,313
Inventory of Supplies, at Cost	2,379	0	46,829	49,208
Prepaid Items	15,846	0	2,035	17,881
<b>Total Assets</b>	<b>\$ 11,006,676</b>	<b>\$ 1,226,754</b>	<b>\$ 3,874,406</b>	<b>\$ 16,107,836</b>
<b>Liabilities:</b>				
Accounts Payable	57,869	29,412	58,387	145,668
Accrued Wages and Benefits Payable	443,220	0	93,207	536,427
Due to Others	0	0	131,988	131,988
Interfund Loans Payable	0	0	432,313	432,313
Deferred Revenue	920,919	7,427	808,989	1,737,335
<b>Total Liabilities</b>	<b>1,422,008</b>	<b>36,839</b>	<b>1,524,884</b>	<b>2,983,731</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	269,780	183,988	697,684	1,151,452
Reserved for Prepaid Items	15,846	0	2,035	17,881
Reserved for Supplies Inventory	2,379	0	46,829	49,208
Reserved for Debt Service	0	0	365,344	365,344
Reserved for Endowments	0	0	27,259	27,259
Undesignated/Unreserved in:				
General Fund	9,296,663	0	0	9,296,663
Special Revenue Funds	0	0	882,348	882,348
Capital Projects Funds	0	1,005,927	328,023	1,333,950
<b>Total Fund Balances</b>	<b>9,584,668</b>	<b>1,189,915</b>	<b>2,349,522</b>	<b>13,124,105</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 11,006,676</b>	<b>\$ 1,226,754</b>	<b>\$ 3,874,406</b>	<b>\$ 16,107,836</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, 2008***

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<b>Total Governmental Fund Balances</b>	\$ 13,124,105
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	26,862,784
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	842,565
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.	2,845,121
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,107,738)</u>
<b><i>Net Assets of Governmental Funds</i></b>	<b><u><u>\$ 38,566,837</u></u></b>

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, 2008

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 504,153	\$ 0	\$ 382,455	\$ 886,608
Municipal Income Tax	3,301,857	1,376,374	1,445	4,679,676
Intergovernmental Revenues	1,432,357	0	1,417,018	2,849,375
Charges for Services	85,006	0	32,840	117,846
Licenses and Permits	259,260	0	0	259,260
Investment Earnings	887,479	0	3,595	891,074
Special Assessments	1,274	0	10,994	12,268
Fines and Forfeitures	837,461	0	170,065	1,007,526
All Other Revenue	725,475	76,500	120,166	922,141
<b>Total Revenues</b>	<b>8,034,322</b>	<b>1,452,874</b>	<b>2,138,578</b>	<b>11,625,774</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,738,462	0	279,611	3,018,073
Public Health and Welfare Services	117,109	0	0	117,109
Leisure Time Activities	619,104	0	3,031	622,135
Community Development	394,237	0	255,731	649,968
Basic Utility Services	0	0	132,569	132,569
Transportation	192,542	0	479,461	672,003
General Government	3,016,749	0	62,296	3,079,045
Capital Outlay	0	896,499	1,050,109	1,946,608
Debt Service:				
Principal Retirement	0	2,793	384,338	387,131
Interest & Fiscal Charges	0	0	274,766	274,766
<b>Total Expenditures</b>	<b>7,078,203</b>	<b>899,292</b>	<b>2,921,912</b>	<b>10,899,407</b>
Excess (Deficiency) of Revenues				
Over Expenditures	956,119	553,582	(783,334)	726,367
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	1,493	1,493
Transfers In	500	27,000	1,550,435	1,577,935
Transfers Out	(288,473)	(752,180)	(364,280)	(1,404,933)
<b>Total Other Financing Sources (Uses)</b>	<b>(287,973)</b>	<b>(725,180)</b>	<b>1,187,648</b>	<b>174,495</b>
Net Change in Fund Balances	668,146	(171,598)	404,314	900,862
<b>Fund Balances at Beginning of Year</b>	<b>8,923,762</b>	<b>1,361,513</b>	<b>1,947,880</b>	<b>12,233,155</b>
Decrease in Inventory Reserve	(7,240)	0	(2,672)	(9,912)
<b>Fund Balances at End of Year</b>	<b>\$ 9,584,668</b>	<b>\$ 1,189,915</b>	<b>\$ 2,349,522</b>	<b>\$ 13,124,105</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, 2008***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 900,862

***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. 59,248

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. (240)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (194,859)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 430,628

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 10,441

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. (77,534)

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. (22,256)

***Change in Net Assets of Governmental Activities*** \$ 1,106,290

See accompanying notes to the basic financial statements

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## 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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 504,359	\$ 504,359	\$ 504,153	\$ (206)
Municipal Income Tax	3,105,000	3,105,000	3,157,210	52,210
Intergovernmental Revenue	1,320,776	1,303,026	1,354,790	51,764
Charges for Services	74,000	74,000	78,661	4,661
Licenses and Permits	149,750	149,750	264,628	114,878
Investment Earnings	500,000	500,000	840,423	340,423
Special Assessments	2,000	2,000	1,274	(726)
Fines and Forfeitures	696,000	696,000	805,942	109,942
All Other Revenues	732,292	732,292	723,413	(8,879)
Total Revenues	<u>7,084,177</u>	<u>7,066,427</u>	<u>7,730,494</u>	<u>664,067</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,802,245	2,829,144	2,666,622	162,522
Public Health and Welfare Services	123,618	124,036	116,675	7,361
Leisure Time Activities	605,789	637,574	621,108	16,466
Community Environment	524,448	587,099	413,606	173,493
Transportation	278,752	273,752	194,045	79,707
General Government	3,452,348	3,606,667	3,150,950	455,717
Total Expenditures	<u>7,787,200</u>	<u>8,058,272</u>	<u>7,163,006</u>	<u>895,266</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(703,023)	(991,845)	567,488	1,559,333
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	2,000	2,000	0	(2,000)
Transfers In	0	0	500	500
Transfers Out	(265,700)	(328,700)	(288,473)	40,227
Advances In	200,000	200,000	565,463	365,463
Advances Out	(200,000)	(610,000)	(432,313)	177,687
Total Other Financing Sources (Uses):	<u>(263,700)</u>	<u>(736,700)</u>	<u>(154,823)</u>	<u>581,877</u>
Net Change In Fund Balance	(966,723)	(1,728,545)	412,665	2,141,210
Fund Balance at Beginning of Year	7,498,633	7,498,633	7,498,633	0
Prior Year Encumbrances	203,438	203,438	203,438	0
Fund Balance at End of Year	<u>\$ 6,735,348</u>	<u>\$ 5,973,526</u>	<u>\$ 8,114,736</u>	<u>\$ 2,141,210</u>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<b>Assets:</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 80,858	\$ 138,239	\$ 183,607
Investments	2,484,071	4,246,884	5,640,669
Receivables:			
Taxes	0	126,134	0
Accounts	146,875	129,767	802,461
Intergovernmental	0	0	0
Interest	53,322	91,161	121,079
Inventory of Supplies at Cost	14,662	2,333	271,950
Prepaid Items	3,172	4,317	12,060
<i>Total Current Assets</i>	<u>2,782,960</u>	<u>4,738,835</u>	<u>7,031,826</u>
<i>Non Current Assets:</i>			
Capital Assets, Net	8,308,425	7,703,277	2,472,230
Investment in Joint Venture	0	0	937,810
<b>Total Assets</b>	<u>11,091,385</u>	<u>12,442,112</u>	<u>10,441,866</u>
<b>Liabilities:</b>			
<i>Current Liabilities:</i>			
Accounts Payable	72,268	29,744	205,268
Accrued Wages and Benefits	70,056	50,106	126,433
Deferred Revenue	0	0	0
Ohio Water Development Authority Loans - Current	0	349,030	0
<i>Total Current Liabilities</i>	<u>142,324</u>	<u>428,880</u>	<u>331,701</u>
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	78,995	57,830	149,808
OWDA Loans Payable	2,506,343	1,793,449	0
Payable to Joint Venture	0	0	567,343
<b>Total Liabilities</b>	<u>2,727,662</u>	<u>2,280,159</u>	<u>1,048,852</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	5,802,082	5,560,798	2,472,230
Unrestricted	2,561,641	4,601,155	6,920,784
<b>Total Net Assets</b>	<u>\$ 8,363,723</u>	<u>\$ 10,161,953</u>	<u>\$ 9,393,014</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
\$ 864,467	\$ 103,842	\$ 1,371,013	\$ 41,380
0	0	12,371,624	0
352,530	0	478,664	0
29,833	0	1,108,936	0
17,791	0	17,791	0
0	0	265,562	0
0	0	288,945	4,132
2,058	0	21,607	0
<u>1,266,679</u>	<u>103,842</u>	<u>15,924,142</u>	<u>45,512</u>
168,758	4,637	18,657,327	4,932,004
0	0	937,810	0
<u>1,435,437</u>	<u>108,479</u>	<u>35,519,279</u>	<u>4,977,516</u>
8,142	0	315,422	12,287
17,721	0	264,316	10,093
335,016	0	335,016	0
0	0	349,030	0
<u>360,879</u>	<u>0</u>	<u>1,263,784</u>	<u>22,380</u>
21,375	0	308,008	13,926
0	0	4,299,792	0
0	0	567,343	0
<u>382,254</u>	<u>0</u>	<u>6,438,927</u>	<u>36,306</u>
168,758	4,637	14,008,505	4,932,004
884,425	103,842	15,071,847	9,206
<u>\$ 1,053,183</u>	<u>\$ 108,479</u>	<u>29,080,352</u>	<u>\$ 4,941,210</u>
		<u>2,096,089</u>	
		<u>\$ 31,176,441</u>	

**CITY OF OBERLIN, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<b>Operating Revenues:</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Municipal Income Taxes	0	550,535	0
Charges for Services	1,773,458	1,635,719	9,936,271
Other Operating Revenue	0	0	184,946
<b>Total Operating Revenues</b>	<b>1,773,458</b>	<b>2,186,254</b>	<b>10,121,217</b>
<b>Operating Expenses:</b>			
Personal Services	959,027	685,261	2,063,303
Contractual Services	1,424,655	396,066	1,466,509
Materials and Supplies	67,048	25,376	42,217
Purchased Power	0	0	5,628,213
Depreciation	165,752	185,272	576,159
<b>Total Operating Expenses</b>	<b>2,616,482</b>	<b>1,291,975</b>	<b>9,776,401</b>
Operating Income (Loss)	(843,024)	894,279	344,816
<b>Nonoperating Revenues (Expenses):</b>			
Investment Earnings	1,646	57,574	35,947
Interest Expense	0	(154,505)	(404,630)
Sale of Capital Assets	(5,000)	0	0
Gain on Investment in Joint Venture	0	0	26,685
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(3,354)</b>	<b>(96,931)</b>	<b>(341,998)</b>
Income (Loss) Before Transfers and Contributions	(846,378)	797,348	2,818
Transfers In	0	0	0
Transfers Out	0	(52,546)	0
Capital Contributions	267,815	0	0
Change in Net Assets	(578,563)	744,802	2,818
Net Assets Beginning of Year	8,942,286	9,417,151	9,390,196
Net Assets End of Year	<u>\$ 8,363,723</u>	<u>\$ 10,161,953</u>	<u>\$ 9,393,014</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
\$ 352,804	\$ 0	\$ 352,804	\$ 0
0	0	550,535	0
370,298	37,838	13,753,584	407,414
0	0	184,946	0
<u>723,102</u>	<u>37,838</u>	<u>14,841,869</u>	<u>407,414</u>
243,441	0	3,951,032	121,644
327,894	8,255	3,623,379	81,957
0	0	134,641	196,845
0	0	5,628,213	0
<u>39,426</u>	<u>2,790</u>	<u>969,399</u>	<u>92,308</u>
<u>610,761</u>	<u>11,045</u>	<u>14,306,664</u>	<u>492,754</u>
<u>112,341</u>	<u>26,793</u>	<u>535,205</u>	<u>(85,340)</u>
0	0	95,167	0
0	0	(559,135)	0
(58,925)	0	(63,925)	0
0	0	26,685	0
<u>(58,925)</u>	<u>0</u>	<u>(501,208)</u>	<u>0</u>
<u>53,416</u>	<u>26,793</u>	<u>33,997</u>	<u>(85,340)</u>
10,000	0	10,000	5,000
(132,956)	0	(185,502)	(2,500)
0	0	267,815	0
<u>(69,540)</u>	<u>26,793</u>	<u>126,310</u>	<u>(82,840)</u>
<u>1,122,723</u>	<u>81,686</u>	<u>28,954,042</u>	<u>5,024,050</u>
<u>\$ 1,053,183</u>	<u>\$ 108,479</u>	<u>29,080,352</u>	<u>\$ 4,941,210</u>
		126,310	
		(60,584)	
		<u>\$ 65,726</u>	

**CITY OF OBERLIN, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,771,091	\$2,164,468	\$10,084,636
Cash Payments for Goods and Services	(1,447,401)	(428,494)	(7,141,793)
Cash Payments to Employees	(913,894)	(650,618)	(2,008,078)
Net Cash Provided (Used) by Operating Activities	(590,204)	1,085,356	934,765
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	0	0
Transfers Out to Other Funds	0	(52,546)	0
Advances Out to Other Funds	0	0	0
Net Cash Used by Noncapital Financing Activities	0	(52,546)	0
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(662,692)	(60,622)	(307,350)
Capital Contributions	267,815	0	0
Principal Paid on General Obligation Notes	0	0	(450,000)
Principal Paid on Mortgage Revenue Bonds	0	(295,000)	0
Proceeds from Ohio Water Development Authority Loans	1,244,502	0	0
Principal Paid on Ohio Water Development Authority Loans	0	(333,390)	0
Interest Paid on All Debt	0	(157,379)	(406,511)
Net Cash Provided By (Used) for Capital and Related Financing Activities	849,625	(846,391)	(1,163,861)
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(510,702)	(633,795)	(477,580)
Receipts of Interest	0	23,361	21,281
Net Cash Used by Investing Activities	(510,702)	(610,434)	(456,299)
Net Increase (Decrease) in Cash and Cash Equivalents	(251,281)	(424,015)	(685,395)
Cash and Cash Equivalents at Beginning of Year	332,139	562,254	869,002
Cash and Cash Equivalents at End of Year	\$80,858	\$138,239	\$183,607



**CITY OF OBERLIN, OHIO**

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Refuse	Cable	Total	Governmental Activities - Internal Service Funds
\$723,429	\$41,639	\$14,785,263	\$407,414
(333,652)	(8,255)	(9,359,595)	(266,085)
(233,633)	0	(3,806,223)	(113,375)
156,144	33,384	1,619,445	27,954
10,000	0	10,000	5,000
(132,956)	0	(185,502)	(2,500)
0	0	0	(5,000)
(122,956)	0	(175,502)	(2,500)
0	0	(1,030,664)	(19,865)
0	0	267,815	0
0	0	(450,000)	0
0	0	(295,000)	0
0	0	1,244,502	0
0	0	(333,390)	0
0	0	(563,890)	0
0	0	(1,160,627)	(19,865)
0	0	(1,622,077)	0
0	0	44,642	0
0	0	(1,577,435)	0
33,188	33,384	(1,294,119)	5,589
831,279	70,458	2,665,132	35,791
\$864,467	\$103,842	\$1,371,013	\$41,380

(Continued)

**CITY OF OBERLIN, OHIO**

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**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2008**

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	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$843,024)	\$894,279	\$344,816
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	165,752	185,272	576,159
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(2,367)	(21,786)	(36,581)
Decrease (Increase) in Inventory	3,583	(661)	15,690
Decrease (Increase) in Prepaid Items	0	(105)	271
Increase (Decrease) in Accounts Payable	40,746	(6,098)	(20,935)
Increase in Accrued			
Wages and Benefits	22,858	25,662	41,179
Decrease in Deferred Revenue	0	0	0
Increase in			
Compensated Absences	22,248	8,793	14,166
Total Adjustments	252,820	191,077	589,949
Net Cash Provided (Used)			
by Operating Activities	(\$590,204)	\$1,085,356	\$934,765

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2008, the Water and Electric Funds had outstanding liabilities of \$12,144, and \$141,491 respectively, for the purchase of certain capital assets.

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>
\$112,341	\$26,793	\$535,205	(\$85,340)
39,426	2,790	969,399	92,308
14,637	3,801	(42,296)	0
0	0	18,612	1,544
(245)	0	(79)	0
(5,623)	0	8,090	11,173
5,975	0	95,674	6,062
(14,310)	0	(14,310)	0
3,943	0	49,150	2,207
<u>43,803</u>	<u>6,591</u>	<u>1,084,240</u>	<u>113,294</u>
<u>\$156,144</u>	<u>\$33,384</u>	<u>\$1,619,445</u>	<u>\$27,954</u>

**CITY OF OBERLIN, OHIO**

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**Statement of Net Assets**  
**Fiduciary Funds**  
**December 31, 2008**

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	Private Purpose Trust	
	Unclaimed Monies Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 12,959	\$ 269,026
Receivables:		
Taxes	0	566,867
Intergovernmental	0	31,809
<b>Total Assets</b>	<u>12,959</u>	<u>867,702</u>
<b>Liabilities:</b>		
Due to Others	12,959	867,702
<b>Total Liabilities</b>	<u>\$ 12,959</u>	<u>\$ 867,702</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, 2008***

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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, 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, 2008***

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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 used 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, 2008***

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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's only trust fund is a private purpose trust that accounts for unclaimed monies. 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 two funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, and the Library Levy Fund, which accounts for property taxes collected to fund the operations of the Library.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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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, 2008***

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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, 2008***

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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, 2008 but are not intended to finance 2008 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6 "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, 2008***

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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 2008.

###### **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 2008, 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 "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" 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, 2008*

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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 as reservations of 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.

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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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:

Net Change In Fund Balance	
	General Fund
GAAP Basis (as reported)	\$668,146
Increase (Decrease):	
Accrued Revenues at December 31, 2008 received during 2009	(1,650,582)
Accrued Revenues at December 31, 2007 received during 2008	1,491,253
Accrued Expenditures at December 31, 2008 paid during 2009	501,089
Accrued Expenditures at December 31, 2007 paid during 2008	(280,075)
2007 Prepays for 2008	12,243
2008 Prepays for 2009	(15,846)
2007 Adjustment to Fair Value	(11,349)
Outstanding Encumbrances	(302,214)
Budget Basis	<u>\$412,665</u>

**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 5, "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, 2008***

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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 5, “Cash, Cash Equivalents and Investments.”

The City has invested funds in the STAR Ohio during 2008. 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, 2008.

##### **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, 2008***

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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:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
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, 2008***

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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
Mortgage Revenue Bonds	Sewer Fund
OPWC Loans	Income Tax Fund General Obligation Bond Retirement Fund
Capital Leases	Income Tax 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, 2008***

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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 of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

##### **M. Pensions**

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

##### **N. 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, 2008***

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

##### **O. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories, debt service, prepaids, endowments and encumbered amounts not accrued at year end.

##### **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 2008.

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**CITY OF OBERLIN, OHIO**

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*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008*

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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	\$46,924
Shared Revenues	367,561
Interest Revenues	77,519
All Other Revenue	345,522
Special Assessment Revenue	5,039
	<hr/>
	\$842,565

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

General Obligation Bonds Payable	(\$4,235,000)
Special Assessment Bonds Payable	(203,530)
OPWC Loans Payable	(49,775)
Accrued Interest on Long-Term Debt	(17,652)
Compensated Absences Payable	(601,781)
	<hr/>
	(\$5,107,738)

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**CITY OF OBERLIN, OHIO**

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*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008*

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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	\$1,726,699
Depreciation Expense	<u>(1,667,451)</u>
	\$59,248

*Governmental revenues not reported in the funds:*

Increase in Delinquent Property Tax	\$800
Decrease in Shared Revenue	(26,661)
Increase in Interest Revenue	2,217
Decrease in All Other Revenue	(172,327)
Increase in Special Assessment Revenue	<u>1,112</u>
	(\$194,859)

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

Increase in Compensated Absences Payable	(\$67,622)
Decrease in supplies inventory	<u>(9,912)</u>
	(\$77,534)

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For 2008, the City has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 49 provides guidance on how to calculate and report costs and obligations associated with pollution cleanup efforts. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits.

The implementation of GASB Statements No. 49 and No. 50 did not result in any change to the City's financial statements.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 4 - COMPLIANCE AND ACCOUNTABILITY**

***Fund Deficits*** - The fund deficits at December 31, 2008 of \$14,379 in the Community Housing Improvement Fund, \$52,663 in the Police-Fire Pension Fund (special revenue funds) and \$47,342 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.

#### **NOTE 5 - 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.

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;

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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

- 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.

**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 \$25,845,903 and the bank balance was \$25,261,997. Federal depository insurance covered \$1,000,000 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>\$24,261,997</u>
Total Balance	<u><u>\$24,261,997</u></u>

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

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

**B. Investments**

The City's investments at December 31, 2008 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years) less than 1</u>
STAR Ohio	\$57,516	AAAm <sup>1</sup>	\$57,516

<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 AAA 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	\$3,690,080	\$22,213,339
Certificates of Deposit (with maturities of more than 3 months)	22,213,339	(22,213,339)
Investments:		
STAR Ohio	(57,516)	57,516
Per GASB Statement No. 3	<u>\$25,845,903</u>	<u>\$57,516</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, 2008*

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#### **NOTE 6 - TAXES**

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, 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 2006. 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 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of January 1, 2007. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. The assessment percentage for property, including inventory is 12.5% for 2007. This percentage will be reduced to 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business railroad property will be 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 will be 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, 2008**

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**NOTE 6 - TAXES (Continued)**

**A. Property Taxes (Continued)**

The full tax rate for the City's operations for the year ended December 31, 2008 was \$13.83 per \$1,000 of assessed value. The assessed value upon which the 2008 receipts were based was \$124,571,108. This amount constitutes \$122,623,120 in real property assessed value, \$309,370 in public utility assessed value and \$1,638,618 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.383% (13.83 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 7 - RECEIVABLES**

Receivables at December 31, 2008 consisted of taxes, interest, accounts receivable, special assessments, interfund loans, loans and intergovernmental receivables arising from shared revenues.

**NOTE 8 - INTERFUND BALANCES**

Individual interfund balances at December 31, 2008 that are expected to be paid within one year are as follows:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Activities:		
General Fund	\$432,313	\$0
Community Housing Improvement Fund	0	141,303
Downtown Revitalization Grant Fund	0	66,993
Sidewalk Improvement Fund	0	47,342
Gasholder Renovation Fund	0	161,802
OPWC Grants 2005 Fund	0	14,873
Totals	\$432,313	\$432,313

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**NOTE 9 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2008:

Fund	Transfer In	Transfer Out
<b>Major Funds</b>		
Governmental Activities:		
General Fund	\$ 500	\$288,473
Income Tax Fund	27,000	752,180
Total Major Funds	<u>27,500</u>	<u>1,040,653</u>
<b>Nonmajor Funds</b>		
SCM&R Fund	175,000	45,000
State Highway Fund	65,000	35,000
Library Fund	0	148,562
County Recycling Fund	50,210	10,000
War Memorial Fund	0	500
Court Computer Fund	0	125,218
Fire Pension Fund	3,933	0
Gasholder Renovation Fund	16,940	0
OPWC Grants 2005 Fund	319,932	0
Equipment Replacement Fund	135,100	0
Clerk of Court Computer Fund	125,218	0
General Obligation Debt Service Fund	659,102	0
Total Nonmajor Funds	<u>1,550,435</u>	<u>364,280</u>
Total Governmental Funds	1,577,935	1,404,933
Internal Service Fund	5,000	2,500
Total Governmental Activities	<u>1,582,935</u>	<u>1,407,433</u>
Business Type Activities:		
Sewer Fund	0	52,546
Refuse Fund	10,000	132,956
Total Business Type Activities	<u>10,000</u>	<u>185,502</u>
Total All Funds	<u>\$1,592,935</u>	<u>\$1,592,935</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 reserve fund.

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

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2008:

*Historical Cost:*

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$2,148,180	\$0	\$0	\$2,148,180
Construction in Progress	320,912	968,999	0	1,289,911
Subtotal	<u>2,469,092</u>	<u>968,999</u>	<u>0</u>	<u>3,438,091</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,243,039	41,848	0	9,284,887
Improvements Other than Buildings	218,890	24,900	0	243,790
Machinery and Equipment	5,243,650	523,003	(60,803)	5,705,850
Infrastructure	32,872,165	187,814	(33,693)	33,026,286
Subtotal	<u>47,577,744</u>	<u>777,565</u>	<u>(94,496)</u>	<u>48,260,813</u>
Total Cost	<u>\$50,046,836</u>	<u>\$1,746,564</u>	<u>(\$94,496)</u>	<u>\$51,698,904</u>

*Accumulated Depreciation:*

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$1,290,652)	(\$188,524)	\$0	(\$1,479,176)
Improvements Other than Buildings	(10,944)	(7,919)	0	(18,863)
Machinery and Equipment	(3,314,959)	(491,357)	60,802	(3,745,514)
Infrastructure	(13,622,058)	(1,071,959)	33,454	(14,660,563)
Total Depreciation	<u>(\$18,238,613)</u>	<u>(\$1,759,759) *</u>	<u>\$94,256</u>	<u>(\$19,904,116)</u>
<i>Net Value:</i>	<u>\$31,808,223</u>			<u>\$31,794,788</u>

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

Security of Persons and Property	\$265,237
Public Health and Welfare Services	1,579
Leisure Time Activities	119,038
Basic Utility Services	87,930
Transportation	1,246,187
General Government	39,788
Total Depreciation Expense	<u>\$1,759,759</u>

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**NOTE 10 - CAPITAL ASSETS (Continued)**

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

Summary by Category at December 31, 2008:

*Historical Cost:*

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$1,096,301	\$0	\$0	\$1,096,301
Construction in Progress	4,228,427	1,562,118	(3,543,430)	2,247,115
Subtotal	<u>5,324,728</u>	<u>1,562,118</u>	<u>(3,543,430)</u>	<u>3,343,416</u>
<i>Capital assets being depreciated:</i>				
Buildings	3,768,079	3,554,537	0	7,322,616
Infrastructure	10,108,271	49,366	0	10,157,637
Improvements Other than Buildings	137,387	196,154	0	333,541
Machinery and Equipment	13,317,755	423,184	(150,944)	13,589,995
Subtotal	<u>27,331,492</u>	<u>4,223,241</u>	<u>(150,944)</u>	<u>31,403,789</u>
Total Cost	<u>\$32,656,220</u>	<u>\$5,785,359</u>	<u>(\$3,694,374)</u>	<u>\$34,747,205</u>

*Accumulated Depreciation:*

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$2,516,688)	(\$77,993)	\$0	(\$2,594,681)
Infrastructure	(2,000,191)	(165,977)	0	(2,166,168)
Improvements Other than Buildings	(16,683)	(10,621)	0	(27,304)
Machinery and Equipment	(10,678,936)	(714,808)	92,019	(11,301,725)
Total Depreciation	<u>(\$15,212,498)</u>	<u>(\$969,399)</u>	<u>\$92,019</u>	<u>(\$16,089,878)</u>
<i>Net Value:</i>	<u>\$17,443,722</u>			<u>\$18,657,327</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, 2008***

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

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

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

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by 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 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$699,227, \$660,678 and \$622,785, respectively, or 91.91% of the required contributions for 2008, and 100% of the required contributions for 2007 and 2006.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 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, 2008, 2007, and 2006 were \$269,301, \$261,683 and \$248,252, respectively, or 75.67% of the required contributions for 2008, and 100% of the required contributions for 2007 and 2006.

#### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

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

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

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

## *CITY OF OBERLIN, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2008*

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

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, 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. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$349,613, \$262,362 and \$204,564, respectively, and were allocated to the healthcare plan.

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, 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, 2008, 2007, and 2006 were \$67,651, \$65,550 and \$71,182 for police and \$20,775, \$20,339 and \$22,330 for firefighters, respectively, and were allocated to the healthcare plan.



**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008***

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**NOTE 13 – COMPENSATED ABSENCES**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable 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, 2008, the City's accumulated, unpaid compensated absences amounted to \$923,715, of which \$615,707 is recorded as a liability of the Governmental Activities and \$308,008 is recorded as a liability of the Business-Type Activities.

**NOTE 14 - NOTES PAYABLE**

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

	Maturity Date	Balance December 31, 2007	Issued (Retired)	Balance December 31, 2008
Enterprise Note Payable:				
3.50% AMP Ohio	2008	\$450,000	(\$450,000)	\$0

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**NOTE 15 - LONG-TERM DEBT**

Long-term debt of the City at December 31, 2008 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2007	Additions	(Reductions)	Balance December 31, 2008	Amount Due Within One Year
Business-Type Activities:								
Mortgage Revenue Bond:								
1983	Variable	Wastewater Treatment Plant Improvements	2008	\$295,000	\$0	(\$295,000)	\$0	\$0
Ohio Water Development Authority Loans (OWDA):								
1973	5.500%	OWDA - Project #1207	2015	217,681	0	(22,389)	195,292	23,620
1990	7.770%	OWDA - Project #1807	2016	839,415	0	(73,474)	765,941	79,183
2000	3.630%	OWDA - Project #3293	2013	1,418,773	0	(237,527)	1,181,246	246,227
2008	2.000%	OWDA - Project #4594	2012	162,351	2,343,992	0	2,506,343	0
Total Ohio Water Development Authority Loans				2,638,220	2,343,992	(333,390)	4,648,822	349,030
Payable to Joint Venture				622,666	0	(55,323)	567,343	0
Compensated Absences				258,858	237,741	(188,591)	308,008	120,522
Total Business-Type Long-Term Debt				<u>\$3,814,744</u>	<u>\$2,581,733</u>	<u>(\$872,304)</u>	<u>\$5,524,173</u>	<u>\$469,552</u>
Governmental Activities:								
General Obligation Bonds:								
1989	6.875%	Library Bond	2009	\$270,000	\$0	(\$130,000)	\$140,000	\$140,000
2000	5.500%	Recreation Facility	2014	237,452	0	(33,922)	203,530	33,922
2003	3.140%	Recreation Facility	2008	113,446	0	(113,446)	0	0
2007	6.000%	Municipal Service Center	2027	4,200,000	0	(105,000)	4,095,000	145,000
Total General Obligation Bonds				4,820,898	0	(382,368)	4,438,530	318,922
Ohio Public Works Commission Loans:								
2006	6.875%	East Hamilton Road	2017	27,936	0	(2,793)	25,143	2,793
2006	3.140%	North Professor Street	2021	26,602	0	(1,970)	24,632	1,970
Total Ohio Public Commission Loans				54,538	0	(4,763)	49,775	4,763
Capital Leases				43,497	0	(43,497)	0	0
Compensated Absences				545,878	424,739	(354,910)	615,707	267,392
Total Governmental Activities Long-Term Debt				<u>\$5,464,811</u>	<u>\$424,739</u>	<u>(\$785,538)</u>	<u>\$5,104,012</u>	<u>\$591,077</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, 2008**

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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, 2008 follows:

Years	General		OWDA Loans		OPWC Loans	
	Obligation Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$318,922	\$211,354	\$349,030	\$110,920	\$4,763	\$0
2010	183,922	191,162	511,509	97,369	4,763	0
2011	193,922	180,296	528,859	80,019	4,763	0
2012	198,922	168,831	546,143	61,735	4,763	0
2013	203,922	157,065	422,971	42,461	4,763	0
2014-2018	1,003,920	619,299	1,098,039	63,059	21,022	0
2019-2023	1,180,000	393,814	730,040	14,600	4,938	0
2024-2028	1,155,000	124,110	462,231	14,600	0	0
Totals	<u>\$4,438,530</u>	<u>\$2,045,931</u>	<u>\$4,648,822</u>	<u>\$484,763</u>	<u>\$49,775</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, 2008***

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#### **NOTE 16 - CONSTRUCTION COMMITMENTS**

As of December 31, 2008 the City had the following commitments with respect to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Main and Vine Street Traffic Light	110,603	January 2009
West Hamilton Street Reconstruction	89,739	August 2009
North Pleasant/Walnut Street Reconstruction	183,352	August 2009
Orchard Street Reconstruction	43,398	August 2009
UGRRC Planning Services	8,470	September 2009
Gladys Court/South Pleasant Water Main	10,167	September 2009
Manhole Replacement	4,946	September 2009
Fire Station	23,055	June 2010
Water Treatment Plant Improvements	3,046,780	June 2010
Park Street Bridge	\$102,842	December 2010
Master Facilities Plan	385	September 2011
Architectural Services for Gasholder Building	161,802	September 2011
Total	<u><u>\$3,785,539</u></u>	

#### **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.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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#### **NOTE 17 - RISK MANAGEMENT (Continued)**

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.

#### **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 \$26,357 at December 31, 2008. 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, 2008***

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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, 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-Ohio and to pay or incur the costs of the same in accordance with the JV-2 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 and 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, 2008 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-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio 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. The City's net obligation for these bonds at December 31, 2008 was \$340,771 (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 JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$334,948 at December 31, 2008. Complete financial statements for OMEGA JV2 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**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2008**

**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, 2008 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
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>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

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

Years	Principal	Interest	Total Debt Service
2009	25,768	20,594	46,362
2010	27,042	19,306	46,348
2011	28,489	17,886	46,375
2012	29,995	16,390	46,385
2013	31,558	14,815	46,373
2014-2020	270,244	54,251	324,495
Total Gross Liability	413,096	143,242	556,338
Less: Amounts Held in Reserve	(72,325)		
Net Obligation	<u>\$340,771</u>		

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2008***

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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, 2008 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, 2008***

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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 \$270,559 at December 31, 2008. 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, 2008***

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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, 2008 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, 2008 was \$226,757 (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 \$305,947 at December 31, 2008. 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, 2008**

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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, 2008 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
2009	32,370	2,830	35,200
2010	31,203	3,997	35,200
2011	30,131	5,069	35,200
2012	29,642	5,558	35,200
2013	30,839	4,361	35,200
2014-2019	85,817	5,404	91,221
Total Gross Liability	<u>240,002</u>	<u>27,219</u>	<u>267,221</u>
Less: Amounts Held in Reserve	<u>(13,245)</u>		
Net Obligation	<u>\$226,757</u>		

**NOTE 20 – SUBSEQUENT EVENT**

On May 5, 2009 the City issued \$4,000,000 in one year General Obligation Notes to pay for renovation and expansion of the current fire station. The notes had an interest rate of 1.5%.

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**CITY OF OBERLIN, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2008**



**CITY OF OBERLIN, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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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

**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**

Members of City Council  
City of Oberlin, 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, 2008, which collectively comprise the City of Oberlin, Ohio's basic financial statements and have issued our report thereon dated May 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Oberlin, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Oberlin, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Oberlin, Ohio's internal control.




A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Oberlin, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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*.

This report is intended solely for the information and use of the audit committee, management, City Council, 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

May 29, 2009

**CITY OF OBERLIN, OHIO**  
**STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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The prior audit report, as of December 31, 2007, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



**Mary Taylor, CPA**  
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  
JULY 7, 2009**