



Dave Yost • Auditor of State

CITY OF OBERLIN
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	20
Statement of Net Position – Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds	26
Statement of Assets and Liabilities – Fiduciary Funds.....	30
Notes to the Basic Financial Statements	31
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	75

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Oberlin
Lorain County
85 South Main Street
Oberlin, Ohio 44074

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, Lorain County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 29, 2014

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2013***

Unaudited

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, 2013. 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 2013 are as follows:

- ❑ In total, net position increased \$1,009,217. Net position of governmental activities decreased \$138,135 from 2012. Net position of business-type activities increased \$1,147,352 from 2012.
- ❑ General revenues accounted for \$8.9 million in revenue or 35% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 65% of total revenues of \$25.3 million.
- ❑ The City had \$11.3 million in expenses related to governmental activities; only \$2.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8.6 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$7.5 million in revenues and \$7.1 million in expenditures. The general fund's fund balance, including transfers, increased \$173,417 to \$10,449,342.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2013*

Unaudited

Government-wide Statements

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

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

- Over time, increases or decreases in the City's net position 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 services and sales 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 Position 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, 2013**

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 Assets and Liabilities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$15,218,799	\$14,962,444	\$19,910,869	\$20,559,070	\$35,129,668	\$35,521,514
Capital assets, Net	34,034,390	34,708,093	21,451,788	20,485,956	55,486,178	55,194,049
Total assets	<u>49,253,189</u>	<u>49,670,537</u>	<u>41,362,657</u>	<u>41,045,026</u>	<u>90,615,846</u>	<u>90,715,563</u>
Long-term debt outstanding	9,473,838	9,774,261	4,961,229	5,531,316	14,435,067	15,305,577
Other liabilities	<u>650,298</u>	<u>639,563</u>	<u>378,208</u>	<u>640,577</u>	<u>1,028,506</u>	<u>1,280,140</u>
Total liabilities	10,124,136	10,413,824	5,339,437	6,171,893	15,463,573	16,585,717
Property Tax Levy for Next Fiscal Year	<u>916,466</u>	<u>905,991</u>	<u>324,888</u>	<u>322,153</u>	<u>1,241,354</u>	<u>1,228,144</u>
Net position						
Net Investment in Capital Assets	25,411,479	25,767,782	17,050,557	15,618,903	42,462,036	41,386,685
Restricted	2,334,651	2,460,835	0	0	2,334,651	2,460,835
Unrestricted	<u>10,466,457</u>	<u>10,122,105</u>	<u>18,647,775</u>	<u>18,932,077</u>	<u>29,114,232</u>	<u>29,054,182</u>
Total net position	<u><u>\$38,212,587</u></u>	<u><u>\$38,350,722</u></u>	<u><u>\$35,698,332</u></u>	<u><u>\$34,550,980</u></u>	<u><u>\$73,910,919</u></u>	<u><u>\$72,901,702</u></u>

This space intentionally left blank.

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

Changes in Net position – The following table shows the changes in net position for the fiscal year 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,644,463	\$1,638,607	\$14,174,103	\$14,689,366	\$15,818,566	\$16,327,973
Operating Grants and Contributions	346,390	247,901	0	0	346,390	247,901
Capital Grants and Contributions	263,913	441,102	0	59,621	263,913	500,723
General revenues:						
Property Taxes	758,195	812,959	299,555	358,381	1,057,750	1,171,340
Municipal Income Taxes	5,712,920	5,725,697	0	0	5,712,920	5,725,697
Shared Revenues	809,374	1,609,551	37,482	2,016	846,856	1,611,567
Investment Earnings	161,595	163,165	222	1,919	161,817	165,084
Miscellaneous	1,124,292	981,215	0	0	1,124,292	981,215
Total revenues	<u>10,821,142</u>	<u>11,620,197</u>	<u>14,511,362</u>	<u>15,111,303</u>	<u>25,332,504</u>	<u>26,731,500</u>
Program Expenses						
Security of Persons and Property	3,727,953	3,691,708	0	0	3,727,953	3,691,708
Public Health and Welfare Services	114,652	129,608	0	0	114,652	129,608
Leisure Time Activities	585,088	789,639	0	0	585,088	789,639
Community Environment	555,835	699,176	0	0	555,835	699,176
Basic Utility Services	281,916	267,084	0	0	281,916	267,084
Transportation	2,229,247	2,401,564	0	0	2,229,247	2,401,564
General Government	3,500,284	3,524,832	0	0	3,500,284	3,524,832
Interest and Fiscal Charges	270,924	322,657	0	0	270,924	322,657
Cable	0	0	0	4,202	0	4,202
Water	0	0	1,915,964	1,841,386	1,915,964	1,841,386
Sewer	0	0	1,599,200	1,529,548	1,599,200	1,529,548
Refuse	0	0	620,494	682,747	620,494	682,747
Electric	0	0	8,921,730	10,101,051	8,921,730	10,101,051
Total expenses	<u>11,265,899</u>	<u>11,826,268</u>	<u>13,057,388</u>	<u>14,158,934</u>	<u>24,323,287</u>	<u>25,985,202</u>
Excess (deficiency) before Transfers	(444,757)	(206,071)	1,453,974	952,369	1,009,217	746,298
Transfers In (Out)	<u>306,622</u>	<u>296,713</u>	<u>(306,622)</u>	<u>(296,713)</u>	<u>0</u>	<u>0</u>
Total Change in Net Position	(138,135)	90,642	1,147,352	655,656	1,009,217	746,298
Beginning Net Position	<u>38,350,722</u>	<u>38,260,080</u>	<u>34,550,980</u>	<u>33,895,324</u>	<u>72,901,702</u>	<u>72,155,404</u>
Ending Net Position	<u>\$38,212,587</u>	<u>\$38,350,722</u>	<u>\$35,698,332</u>	<u>\$34,550,980</u>	<u>\$73,910,919</u>	<u>\$72,901,702</u>

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

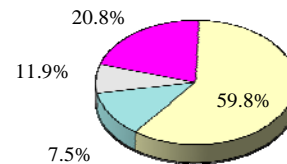
Governmental Activities

Net position of the City's governmental activities had a modest decrease of \$138,135. Much of this decrease can be attributed to the fact that State shared revenues decreased in 2013 compared to 2012. Overall, revenues decreased by 6.9% compared to 2012, mainly due to reductions in State shared revenue. Expenditures decreased by 4.7% compared to 2012, mainly due to reduced expenditures in several 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% and 52.8%, respectively, of revenues for governmental activities for the City in fiscal year 2013. The City's reliance upon tax revenues is demonstrated by the following graph indicating 59.8% of total revenues from general tax revenues:

Revenue Sources	2013	Percent of Total
General Shared Revenues	\$809,374	7.5%
Program Revenues	2,254,766	20.8%
General Tax Revenues	6,471,115	59.8%
General Other	1,285,887	11.9%
Total Revenue	<u>\$10,821,142</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities increased by \$1,147,352. The main reason for this increase was the decrease in purchased power costs in the Electric Fund from 2012 to 2013. The decrease in purchased power costs was almost \$356,988 from 2012 to 2013. 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, 2013*

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$14,458,004, which is an increase from last year's balance of \$14,088,096. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2013 and 2012:

	Fund Balance December 31, 2013	Fund Balance December 31, 2012	Increase (Decrease)
General	\$10,449,342	\$10,275,925	\$173,417
Income Tax	1,393,371	1,287,028	106,343
Other Governmental	2,615,291	2,525,143	90,148
Total	\$14,458,004	\$14,088,096	\$369,908

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:

	2013 Revenues	2012 Revenues	Increase (Decrease)
Taxes	\$4,277,326	\$4,351,092	(\$73,766)
Intergovernmental Revenue	983,860	1,248,809	(264,949)
Charges for Services	230,396	129,560	100,836
Licenses and Permits	235,398	269,373	(33,975)
Fines and Forfeitures	751,594	803,466	(51,872)
Investment Earnings	147,294	179,210	(31,916)
Special Assessments	0	2,135	(2,135)
All Other Revenue	910,164	863,497	46,667
Total	\$7,536,032	\$7,847,142	(\$311,110)

General Fund revenues in 2013 decreased by \$311,110 or about 4% compared to revenues in fiscal year 2012.

	2013 Expenditures	2012 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,888,934	\$2,961,591	(\$72,657)
Public Health and Welfare Services	103,889	105,137	(1,248)
Leisure Time Activities	440,174	651,975	(211,801)
Community Environment	338,034	350,453	(12,419)
Transportation	185,496	196,346	(10,850)
General Government	3,130,765	3,121,769	8,996
Total	\$7,087,292	\$7,387,271	(\$299,979)

General Fund expenditures decreased by \$299,979 compared to the prior year mostly due to overall reductions in operating and capital expenditures.

For the Income Tax Fund, the fund balance increase of \$106,343 is related to fewer capital expenditures from 2012 to 2013.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2013***

Unaudited

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2013, the City amended its General Fund budget several times, to adjust for various budgetary needs.

For the General Fund, final budget basis revenue of \$7.0 million, not including other financing sources, changed slightly from the original budget. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2013, the City had \$55,486,178 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$34,034,390 was related to governmental activities and \$21,451,788 to the business-type activities. The following table shows fiscal year 2013 and 2012 balances:

	Governmental Activities		Increase (Decrease)
	2013	2012	
Land	\$2,224,323	\$2,224,323	\$0
Construction in Progress	967,874	1,503,426	(535,552)
Buildings	14,083,851	13,190,328	893,523
Improvements Other Than Buildings	581,424	557,914	23,510
Machinery and Equipment	6,873,782	6,808,714	65,068
Infrastructure	36,427,997	35,748,017	679,980
Less: Accumulated Depreciation	(27,124,861)	(25,324,629)	(1,800,232)
Totals	<u>\$34,034,390</u>	<u>\$34,708,093</u>	<u>(\$673,703)</u>

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2013	2012	
Land	\$1,099,045	\$1,099,045	\$0
Construction in Progress	919,892	427,519	492,373
Buildings	7,081,072	6,826,387	254,685
Infrastructure	11,982,014	11,522,728	459,286
Improvements Other Than Buildings	1,882,204	1,073,762	808,442
Machinery and Equipment	19,405,555	19,478,383	(72,828)
Less: Accumulated Depreciation	(20,917,994)	(19,941,868)	(976,126)
Totals	\$21,451,788	\$20,485,956	\$965,832

The business-type activities increase in capital assets was mainly related to the addition of the Three Breaker Ring Project that was put in place in order to increase electricity production within the City's infrastructure. The decrease in governmental activities was due primarily to depreciation expense. Additional information on the City's capital assets can be found in Note 11.

Debt

At December 31, 2013, the City had \$8 million in bonds outstanding, with \$498,922 being due within one year. The following table summarizes the City's long-term obligations outstanding as of December 31, 2013 and 2012:

	2013	2012
Governmental Activities:		
General Obligation Bonds	\$8,003,919	\$8,487,841
OPWC Loans Payable	618,992	452,467
Compensated Absences	850,927	833,953
Total Governmental Activities	9,473,838	9,774,261
Business-Type Activities:		
OWDA Loans Payable	\$4,401,231	\$4,867,053
Payable to Joint Venture	237,626	321,951
Compensated Absences	322,372	342,312
Total Business-Type Activities	4,961,229	5,531,316
Totals	\$14,435,067	\$15,305,577

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, 2013, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 15.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2013***

Unaudited

ECONOMIC FACTORS

The City's original budget for 2013 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 3.71% less than the actual receipts for 2012. This was due to anticipated lower revenue from local government funds, estate taxes, interest revenues, and conservative based budgeting for income tax collections.

General Fund expenditures were originally budgeted at 5.07% more than 2012 actual expenditures. Actual expenditures were less than anticipated largely due to conservative budget practices.

City Council continues to pursue securing existing, and establishing new, revenue sources, while also focusing on reducing expenditures. After an extensive review of cost cutting and revenue enhancement options during 2013, City Council placed an income tax increase of 0.60% on the ballot in May 2014, which was subsequently approved by the voters, bringing the total rate, effective January 1, 2015 to 2.5%. 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.

This Page Intentionally Left Blank

CITY OF OBERLIN, OHIO

Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,712,945	\$ 535,670	\$ 2,248,615
Investments	11,931,738	14,827,223	26,758,961
Receivables:			
Taxes	2,098,008	346,171	2,444,179
Accounts	88,573	1,305,323	1,393,896
Intergovernmental	466,357	18,678	485,035
Interest	63,286	0	63,286
Loans	387,304	0	387,304
Internal Balances	(1,621,163)	1,621,163	0
Inventory of Supplies at Cost	65,144	422,199	487,343
Prepaid Items	26,607	24,102	50,709
Capital Assets:			
Capital Assets Not Being Depreciated	3,192,197	2,018,937	5,211,134
Capital Assets Being Depreciated, Net	30,842,193	19,432,851	50,275,044
Investment in Joint Venture	0	810,340	810,340
Total Assets	49,253,189	41,362,657	90,615,846
Liabilities:			
Accounts Payable	191,475	242,065	433,540
Accrued Wages and Benefits	275,083	136,143	411,226
Intergovernmental Payable	27,421	0	27,421
Due to Others	131,988	0	131,988
Accrued Interest Payable	24,331	0	24,331
Long-Term Liabilities:			
Due Within One Year	861,536	487,497	1,349,033
Due in More Than One Year	8,612,302	4,473,732	13,086,034
Total Liabilities	10,124,136	5,339,437	15,463,573
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	916,466	324,888	1,241,354
Net Position:			
Net Investment in Capital Assets	25,411,479	17,050,557	42,462,036
Restricted For:			
Capital Projects	1,050,704	0	1,050,704
Debt Service	251,159	0	251,159
Other Purposes	1,032,788	0	1,032,788
Unrestricted	10,466,457	18,647,775	29,114,232
Total Net Position	\$ 38,212,587	\$ 35,698,332	\$ 73,910,919

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Statement of Activities
For the Year Ended December 31, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 3,727,953	\$ 59,363	\$ 2,495	\$ 47,236
Public Health and Welfare Services	114,652	32,484	0	0
Leisure Time Activities	585,088	27,721	0	0
Community Environment	555,835	222,044	117,898	0
Basic Utility Services	281,916	2,688	0	0
Transportation	2,229,247	1,585	225,997	216,677
General Government	3,500,284	1,298,578	0	0
Interest and Fiscal Charges	270,924	0	0	0
Total Governmental Activities	<u>11,265,899</u>	<u>1,644,463</u>	<u>346,390</u>	<u>263,913</u>
Business-Type Activities:				
Cable	0	20,017	0	0
Water	1,915,964	1,838,819	0	0
Sewer	1,599,200	1,636,807	0	0
Refuse	620,494	533,924	0	0
Electric	8,921,730	10,144,536	0	0
Total Business-Type Activities	<u>13,057,388</u>	<u>14,174,103</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 24,323,287</u>	<u>\$ 15,818,566</u>	<u>\$ 346,390</u>	<u>\$ 263,913</u>

General Revenues

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

Change in Net Position

Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,618,859)	\$ 0	\$ (3,618,859)
(82,168)	0	(82,168)
(557,367)	0	(557,367)
(215,893)	0	(215,893)
(279,228)	0	(279,228)
(1,784,988)	0	(1,784,988)
(2,201,706)	0	(2,201,706)
(270,924)	0	(270,924)
(9,011,133)	0	(9,011,133)
0	20,017	20,017
0	(77,145)	(77,145)
0	37,607	37,607
0	(86,570)	(86,570)
0	1,222,806	1,222,806
0	1,116,715	1,116,715
(9,011,133)	1,116,715	(7,894,418)
758,195	299,555	1,057,750
5,712,920	0	5,712,920
809,374	37,482	846,856
161,595	222	161,817
1,124,292	0	1,124,292
306,622	(306,622)	0
8,872,998	30,637	8,903,635
(138,135)	1,147,352	1,009,217
38,350,722	34,550,980	72,901,702
\$ 38,212,587	\$ 35,698,332	\$ 73,910,919

CITY OF OBERLIN, OHIO

**Balance Sheet
Governmental Funds
December 31, 2013**

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 220,751	\$ 24,631	\$ 1,332,783	\$ 1,578,165
Investments	9,414,235	1,050,523	1,466,980	11,931,738
Receivables:				
Taxes	1,243,580	376,967	477,461	2,098,008
Accounts	88,573	0	0	88,573
Intergovernmental	200,628	0	265,729	466,357
Interest	63,286	0	0	63,286
Loans	0	0	387,304	387,304
Interfund Loans Receivables	79,421	0	0	79,421
Inventory of Supplies, at Cost	11,498	0	53,646	65,144
Prepaid Items	26,607	0	0	26,607
Total Assets	\$ 11,348,579	\$ 1,452,121	\$ 3,983,903	\$ 16,784,603
Liabilities:				
Accounts Payable	38,289	58,750	89,962	187,001
Accrued Wages and Benefits Payable	164,721	0	104,131	268,852
Intergovernmental Payable	27,421	0	0	27,421
Due to Others	0	0	131,988	131,988
Interfund Loans Payable	0	0	79,421	79,421
Total Liabilities	230,431	58,750	405,502	694,683
Deferred Inflows of Resources:				
Unavailable Amounts	211,620	0	503,830	715,450
Property Tax for Next Fiscal Year	457,186	0	459,280	916,466
Total Deferred Inflows of Resources	668,806	0	963,110	1,631,916
Fund Balances:				
Nonspendable	38,105	0	80,905	119,010
Restricted	0	0	2,031,577	2,031,577
Committed	0	1,393,371	556,438	1,949,809
Assigned	1,381,634	0	87,708	1,469,342
Unassigned	9,029,603	0	(141,337)	8,888,266
Total Fund Balances	10,449,342	1,393,371	2,615,291	14,458,004
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,348,579	\$ 1,452,121	\$ 3,983,903	\$ 16,784,603

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2013***

Total Governmental Fund Balances	\$ 14,458,004
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	29,802,755
Other long-term assets are not available to pay for current- period expenditures and therefore are unavailable revenues in the funds.	715,450
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,720,102
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,483,724)</u>
<i>Net Position of Governmental Funds</i>	<u>\$ 38,212,587</u>

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, 2013

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 465,384	\$ 0	\$ 281,552	\$ 746,936
Municipal Income Tax	3,811,942	1,900,666	312	5,712,920
Intergovernmental Revenues	983,860	17,236	529,696	1,530,792
Charges for Services	230,396	0	2,415	232,811
Licenses and Permits	235,398	0	0	235,398
Investment Earnings	147,294	0	2,537	149,831
Fines and Forfeitures	751,594	0	164,163	915,757
All Other Revenue	910,164	187,108	333,481	1,430,753
Total Revenues	7,536,032	2,105,010	1,314,156	10,955,198
Expenditures:				
Current:				
Security of Persons and Property	2,888,934	0	345,480	3,234,414
Public Health and Welfare Services	103,889	0	4,573	108,462
Leisure Time Activities	440,174	0	9	440,183
Community Environment	338,034	0	200,947	538,981
Basic Utility Services	0	0	262,109	262,109
Transportation	185,496	0	560,761	746,257
General Government	3,130,765	0	123,868	3,254,633
Capital Outlay	0	937,629	749,843	1,687,472
Debt Service:				
Principal Retirement	0	2,793	512,748	515,541
Interest & Fiscal Charges	0	0	309,171	309,171
Total Expenditures	7,087,292	940,422	3,069,509	11,097,223
Excess (Deficiency) of Revenues				
Over Expenditures	448,740	1,164,588	(1,755,353)	(142,025)
Other Financing Sources (Uses):				
Gain on Sale of Capital Assets	392	0	0	392
OPWC Loans Issued	0	0	198,144	198,144
Transfers In	500	0	1,742,437	1,742,937
Transfers Out	(282,414)	(1,058,245)	(92,656)	(1,433,315)
Total Other Financing Sources (Uses)	(281,522)	(1,058,245)	1,847,925	508,158
Net Change in Fund Balances	167,218	106,343	92,572	366,133
Fund Balances at Beginning of Year	10,275,925	1,287,028	2,525,143	14,088,096
Increase (Decrease) in Inventory Reserve	6,199	0	(2,424)	3,775
Fund Balances at End of Year	\$ 10,449,342	\$ 1,393,371	\$ 2,615,291	\$ 14,458,004

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 366,133

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 depreciation exceeded capital outlay in the current period. (463,337)

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. (70,382)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (134,449)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 317,397

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 38,247

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. (45,718)

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. (146,026)

Change in Net Position of Governmental Activities \$ (138,135)

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For The Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 477,578	\$ 477,578	\$ 465,384	\$ (12,194)
Municipal Income Tax	3,629,000	3,629,000	3,738,969	109,969
Intergovernmental Revenue	868,224	864,442	1,303,349	438,907
Charges for Services	98,000	98,000	230,396	132,396
Licenses and Permits	226,400	206,400	237,864	31,464
Investment Earnings	152,899	152,899	158,141	5,242
Special Assessments	1,200	1,200	0	(1,200)
Fines and Forfeitures	800,000	800,000	750,266	(49,734)
All Other Revenues	776,285	776,285	778,953	2,668
Total Revenues	<u>7,029,586</u>	<u>7,005,804</u>	<u>7,663,322</u>	<u>657,518</u>
Expenditures:				
Current:				
Security of Persons and Property	3,125,006	3,113,361	2,918,761	194,600
Public Health and Welfare Services	111,140	112,175	105,262	6,913
Leisure Time Activities	654,449	662,907	455,095	207,812
Community Environment	408,773	408,772	350,374	58,398
Transportation	191,202	191,707	185,496	6,211
General Government	3,463,363	3,497,753	3,171,082	326,671
Total Expenditures	<u>7,953,933</u>	<u>7,986,675</u>	<u>7,186,070</u>	<u>800,605</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(924,347)	(980,871)	477,252	1,458,123
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	392	392
Transfers In	500	500	500	0
Transfers Out	(244,770)	(282,414)	(282,414)	0
Advances In	435,123	235,123	235,123	0
Advances Out	(200,000)	(136,812)	(79,421)	57,391
Total Other Financing Sources (Uses):	<u>(9,147)</u>	<u>(183,603)</u>	<u>(125,820)</u>	<u>57,783</u>
Net Change In Fund Balance	(933,494)	(1,164,474)	351,432	1,515,906
Fund Balance at Beginning of Year	8,851,019	8,851,019	8,851,019	0
Prior Year Encumbrances	153,799	153,799	153,799	0
Fund Balance at End of Year	<u>\$ 8,071,324</u>	<u>\$ 7,840,344</u>	<u>\$ 9,356,250</u>	<u>\$ 1,515,906</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

CITY OF OBERLIN, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2013**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 73,802	\$ 76,017	\$ 175,105
Investments	3,147,734	3,242,186	7,468,427
Receivables:			
Taxes	0	0	0
Accounts	157,618	130,077	967,539
Intergovernmental	0	0	0
Inventory of Supplies at Cost	20,304	3,654	398,241
Prepaid Items	3,510	4,873	12,453
<i>Total Current Assets</i>	<u>3,402,968</u>	<u>3,456,807</u>	<u>9,021,765</u>
<i>Non Current Assets:</i>			
Capital Assets, Net	10,950,661	8,110,095	2,246,685
Investment in Joint Venture	<u>0</u>	<u>0</u>	<u>810,340</u>
Total Assets	<u>14,353,629</u>	<u>11,566,902</u>	<u>12,078,790</u>
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	15,094	92,459	127,776
Accrued Wages and Benefits	33,634	28,714	61,696
Compensated Absences Payable - Current	22,667	26,367	63,836
Ohio Water Development Authority Loans - Current	<u>216,269</u>	<u>145,981</u>	<u>0</u>
<i>Total Current Liabilities</i>	287,664	293,521	253,308
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	36,689	49,532	93,356
OWDA Loans Payable	3,817,962	221,019	0
Payable to Joint Venture	<u>0</u>	<u>0</u>	<u>237,626</u>
Total Liabilities	<u>4,142,315</u>	<u>564,072</u>	<u>584,290</u>
Deferred Inflows of Resources:			
Property Tax for Next Fiscal Year	<u>0</u>	<u>0</u>	<u>0</u>
Net Position:			
Net Investment in Capital Assets	6,916,430	7,743,095	2,246,685
Unrestricted	<u>3,294,884</u>	<u>3,259,735</u>	<u>9,247,815</u>
Total Net Position	<u>\$ 10,211,314</u>	<u>\$ 11,002,830</u>	<u>\$ 11,494,500</u>

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

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

<u>Other Enterprise</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 210,746	\$ 535,670	\$ 134,780
968,876	14,827,223	0
346,171	346,171	0
50,089	1,305,323	0
18,678	18,678	0
0	422,199	0
3,266	24,102	0
<u>1,597,826</u>	<u>17,479,366</u>	<u>134,780</u>
144,347	21,451,788	4,231,635
0	810,340	0
<u>1,742,173</u>	<u>39,741,494</u>	<u>4,366,415</u>
6,736	242,065	4,474
12,099	136,143	6,231
12,377	125,247	5,197
0	362,250	0
<u>31,212</u>	<u>865,705</u>	<u>15,902</u>
17,548	197,125	9,248
0	4,038,981	0
0	237,626	0
<u>48,760</u>	<u>5,339,437</u>	<u>25,150</u>
<u>324,888</u>	<u>324,888</u>	<u>0</u>
144,347	17,050,557	4,231,635
1,224,178	17,026,612	109,630
<u>\$ 1,368,525</u>	<u>\$ 34,077,169</u>	<u>\$ 4,341,265</u>
	<u>1,621,163</u>	
	<u>\$ 35,698,332</u>	

CITY OF OBERLIN, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
Operating Revenues:			
Charges for Services	1,848,847	1,654,423	9,963,078
Other Operating Revenue	0	0	177,662
Total Operating Revenues	1,848,847	1,654,423	10,140,740
Operating Expenses:			
Personal Services	926,399	769,860	2,090,974
Contractual Services	202,601	358,222	980,455
Materials and Supplies	114,571	58,149	11,057
Purchased Power	0	0	5,686,786
Depreciation	578,461	423,908	162,227
Total Operating Expenses	1,822,032	1,610,139	8,931,499
Operating Income (Loss)	26,815	44,284	1,209,241
Nonoperating Revenues (Expenses):			
Property Taxes	0	0	0
Investment Earnings	0	0	222
Intergovernmental Revenue	0	0	0
Interest Expense	(85,478)	(36,381)	0
Sale of Capital Assets	(10,028)	(17,616)	(38,239)
Gain on Investment in Joint Venture	0	0	42,035
Total Nonoperating Revenues (Expenses)	(95,506)	(53,997)	4,018
Loss Before Transfers	(68,691)	(9,713)	1,213,259
Transfers Out	0	(23,972)	0
Change in Net Position	(68,691)	(33,685)	1,213,259
Net Position Beginning of Year	10,280,005	11,036,515	10,281,241
Net Position End of Year	<u>\$ 10,211,314</u>	<u>\$ 11,002,830</u>	<u>\$ 11,494,500</u>

Change in Net Position - Total Enterprise Funds

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

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Other Enterprise	Total	Governmental Activities - Internal Service Funds
553,941	14,020,289	452,238
0	177,662	0
553,941	14,197,951	452,238
292,897	4,080,130	145,994
292,567	1,833,845	96,225
0	183,777	160,550
0	5,686,786	0
35,258	1,199,854	143,632
620,722	12,984,392	546,401
(66,781)	1,213,559	(94,163)
299,555	299,555	0
0	222	0
37,482	37,482	0
0	(121,859)	0
0	(65,883)	0
0	42,035	0
337,037	191,552	0
270,256	1,405,111	(94,163)
(282,650)	(306,622)	(3,000)
(12,394)	1,098,489	(97,163)
1,380,919	32,978,680	4,438,428
\$ 1,368,525	34,077,169	\$ 4,341,265
	1,098,489	
	48,863	
	\$ 1,147,352	

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Other Enterprise
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,851,639	\$1,661,287	\$9,714,663	\$546,540
Cash Payments for Goods and Services	(313,093)	(331,341)	(6,699,011)	(291,532)
Cash Payments to Employees	(926,966)	(760,478)	(2,122,986)	(291,410)
Net Cash Provided (Used) for Operating Activities	<u>611,580</u>	<u>569,468</u>	<u>892,666</u>	<u>(36,402)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers Out to Other Funds	0	(23,972)	0	(282,650)
Receipts of Property Taxes	0	0	0	332,105
Net Cash Provided (Used) for Noncapital Financing Activities	<u>0</u>	<u>(23,972)</u>	<u>0</u>	<u>49,455</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(102,308)	(1,275,455)	(958,699)	0
Sale of Capital Assets	650	0	0	0
Principal Paid on Ohio Water Development Authority Loans	(188,859)	(276,963)	0	0
Interest Paid on All Debt	(85,478)	(36,381)	0	0
Net Cash Used for Capital and Related Financing Activities	<u>(375,995)</u>	<u>(1,588,799)</u>	<u>(958,699)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	(252,290)	0	0	(968,876)
Sale of Investments	0	987,118	7,238	0
Receipts of Interest	0	0	222	0
Net Cash Used for Investing Activities	<u>(252,290)</u>	<u>987,118</u>	<u>7,460</u>	<u>(968,876)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,705)	(56,185)	(58,573)	(955,823)
Cash and Cash Equivalents at Beginning of Year	90,507	132,202	233,678	1,166,569
Cash and Cash Equivalents at End of Year	<u>\$73,802</u>	<u>\$76,017</u>	<u>\$175,105</u>	<u>\$210,746</u>

CITY OF OBERLIN, OHIO

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$13,774,129	\$452,238
(7,634,977)	(252,891)
(4,101,840)	(145,880)
<u>2,037,312</u>	<u>53,467</u>
(306,622)	(3,000)
<u>332,105</u>	<u>0</u>
<u>25,483</u>	<u>(3,000)</u>
(2,336,462)	(3,650)
650	0
(465,822)	0
(121,859)	0
<u>(2,923,493)</u>	<u>(3,650)</u>
(1,221,166)	0
994,356	0
222	0
<u>(226,588)</u>	<u>0</u>
(1,087,286)	46,817
1,622,956	87,963
<u>\$535,670</u>	<u>\$134,780</u>

(Continued)

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities			Other Enterprise
	Enterprise Funds			
	Water	Sewer	Electric	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) for Operating Activities:</u>				
Operating Income (Loss)	\$26,815	\$44,284	\$1,209,241	(\$66,781)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Depreciation Expense	578,461	423,908	162,227	35,258
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	2,792	6,864	(182,772)	(7,401)
Decrease (Increase) in Inventory	7,208	(1,354)	(19,803)	0
Decrease (Increase) in Prepaid Items	(347)	(983)	(1,645)	(594)
Increase (Decrease) in Accounts Payable	(3,856)	88,225	2,012	1,637
Increase (Decrease) in Accrued				
Wages and Benefits	433	1,228	(4,384)	(116)
Decrease in Unearned Revenue	0	0	(243,305)	0
Increase (Decrease) in				
Compensated Absences	74	7,296	(28,905)	1,595
Total Adjustments	<u>584,765</u>	<u>525,184</u>	<u>(316,575)</u>	<u>30,379</u>
Net Cash Provided (Used) for Operating Activities	<u>\$611,580</u>	<u>\$569,468</u>	<u>\$892,666</u>	<u>(\$36,402)</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2013, the Electric Fund had outstanding liabilities of \$48,656 for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$1,213,559	(\$94,163)
1,199,854	143,632
(180,517)	0
(13,949)	0
(3,569)	0
88,018	3,884
(2,839)	86
(243,305)	0
(19,940)	28
<u>823,753</u>	<u>147,630</u>
<u>\$2,037,312</u>	<u>\$53,467</u>

CITY OF OBERLIN, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2013***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 257,616
Receivables:	
Taxes	811,874
Intergovernmental	<u>48,754</u>
Total Assets	<u>1,118,244</u>
Liabilities:	
Due to Others	<u>1,118,244</u>
Total Liabilities	<u>\$ 1,118,244</u>

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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

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

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

1. Joint Ventures with Equity Interest

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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

Governmental Funds

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

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

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

The other governmental funds of the City account for grants and other resources whose use is nonspendable, restricted, committed, assigned or unassigned for a particular purpose.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The 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 deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2013, but which are not intended to finance 2013 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 7 “Taxes”.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

E. Deferred Inflows/Outflows of Resources

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

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

This space intentionally left blank

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

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

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

This space intentionally left blank

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 2013.

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 2013, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual—(Non-GAAP Budgetary Basis) General Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

This space intentionally left blank.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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:

<u>Net Change In Fund Balance</u>	<u>General Fund</u>
GAAP Basis (as reported)	\$167,218
Increase (Decrease):	
Accrued Revenues at December 31, 2012 received during 2013	(1,006,682)
Accrued Revenues at December 31, 2012 received during 2013	1,392,733
Accrued Expenditures at December 31, 2012 paid during 2013	230,431
Accrued Expenditures at December 31, 2012 paid during 2013	(253,964)
2012 Prepays for 2013	27,447
2013 Prepays for 2014	(26,607)
2013 Adjustment to Fair Value	1,020
Outstanding Encumbrances	(151,773)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(28,391)
Budget Basis	<u><u>\$351,432</u></u>

G. Cash and Cash Equivalents

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon City ordinance. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investments are considered, including those with a maturity of one year or less, and included in the calculation of the change in fair value. Fair value is determined by quoted market prices. See Note 6, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2013. 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, 2013.

I. Inventory

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

J. 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 Position, but they are not reported in the fund financial statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", have been reported.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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 Position and in the respective funds.

3. Depreciation

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

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund
OPWC Loans	Income Tax Fund General Obligation Bond Retirement Fund
OWDA Loans	Water Fund Sewer Fund
Compensated Absences	General Fund Street Construction, Maintenance, and Repair Fund County Recycling Fund Electric Fund Water Fund Sewer Fund Refuse Fund Garage Fund

L. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

M. Net Position

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

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

N. Fund Balances

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances (Continued)

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

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

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

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

O. Pensions

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

P. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Estimates

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

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, 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.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

This space intentionally left blank.

CITY OF OBERLIN, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

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 position

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

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

Delinquent Property Tax Revenue	\$48,168
Shared Revenues	231,111
Interest Revenues	48,868
All Other Revenue	387,303
	<hr/>
	\$715,450

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$8,003,919)
OPWC Loans Payable	(618,992)
Accrued Interest on Long-Term Debt	(24,331)
Compensated Absences Payable	(836,482)
	<hr/>
	(\$9,483,724)

This space intentionally left blank.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

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 position of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

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

Capital Outlay	\$1,425,074
Depreciation Expense	(1,888,411)
	<u>(\$463,337)</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Property Tax	11,259
Decrease in Shared Revenue	(141,116)
Increase in Interest Revenue	11,764
Decrease in All Other Revenue	(16,356)
	<u>(\$134,449)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$49,493)
Decrease in supplies inventory	3,775
	<u>(\$45,718)</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2013 of \$3,123 in the OPWC Grants Fund (capital projects fund), \$81,826 in the Police-Fire Pension Fund (special revenue fund), \$16,362 in the Utility Deposit Fund (special revenue fund) and \$21,932 in the Sidewalk Improvement Fund (capital projects fund) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 4 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Principal	\$0	\$0	\$27,259	\$27,259
Prepaid Items	26,607	0	0	26,607
Supplies Inventory	11,498	0	53,646	65,144
Total Nonspendable	<u>38,105</u>	<u>0</u>	<u>80,905</u>	<u>119,010</u>
Restricted:				
Fire Station Improvement	0	0	10,965	10,965
Street Maintenance	0	0	61,115	61,115
State Highway Improvements	0	0	57,163	57,163
Library	0	0	9,717	9,717
County Recycling	0	0	41,708	41,708
CDBG Grant	0	0	150,565	150,565
Community Housing	0	0	14,080	14,080
DARE Grant	0	0	14,737	14,737
Home RLF	0	0	108,590	108,590
Downtown Revitalization	0	0	43,920	43,920
DARE Trust	0	0	59,894	59,894
TIF East College Street	0	0	162,591	162,591
Indigent Alcohol Treatment	0	0	57,402	57,402
Indigent Interlock Monitor	0	0	52,270	52,270
Special Assessment Bond Retirement	0	0	275,490	275,490
Spring Street Park Improvement	0	0	11,377	11,377
Gasholder Renovation	0	0	33,909	33,909
Recreation Complex	0	0	17,641	17,641
OPWC Grants	0	0	19,623	19,623
Court Improvement/Computer	0	0	666,221	666,221
Clerk of Court Computer	0	0	162,599	162,599
Total Restricted	<u>0</u>	<u>0</u>	<u>2,031,577</u>	<u>2,031,577</u>
Committed:				
Capital Improvements	0	1,393,371	0	1,393,371
War Memorial	0	0	22,884	22,884
Utility Caring	0	0	48,346	48,346
Open Space	0	0	16,118	16,118
Subdivision	0	0	13,657	13,657
Parks	0	0	5,737	5,737
Equipment Replacement	0	0	449,696	449,696
Total Committed	<u>0</u>	<u>1,393,371</u>	<u>556,438</u>	<u>1,949,809</u>
Assigned	1,381,634	0	87,708	1,469,342
Unassigned	9,029,603	0	(141,337)	8,888,266
Total Fund Balances	<u>\$10,449,342</u>	<u>\$1,393,371</u>	<u>\$2,615,291</u>	<u>\$14,458,004</u>

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE

For 2013 the City implemented GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,”* and GASB Statement No. 66, *“Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62”*.

Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation), and certain disclosure requirements.

Statement No. 66 provides guidance on how to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the City into three categories:

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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

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

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

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

At year end the carrying amount of the City's deposits was \$27,705,470 and the bank balance was \$27,894,500. Federal depository insurance covered \$23,255,247 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>\$4,639,253</u>
Total Balance	<u><u>\$4,639,253</u></u>

This space intentionally left blank.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

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

B. Investments

The City's investments at December 31, 2013 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$57,837	AAAm	\$57,837	\$0
Municipal Bonds	1,001,885	Aaa ²	1,001,885	0
FHLB	500,000	AAA ¹ / Aaa ²	0	500,000
Total Investments	<u>\$1,559,722</u>		<u>\$1,059,722</u>	<u>\$500,000</u>

¹ Standard & Poor's

² Moody's Investor Service

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 AAAm¹ 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	\$2,506,231	\$26,758,961
Certificates of Deposit (with maturities of more than 3 months)	25,257,076	(25,257,076)
Investments:		
STAR Ohio	(57,837)	57,837
Per GASB Statement No. 3	<u>\$27,705,470</u>	<u>\$1,559,722</u>

* Includes cash on hand.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 7 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2013 were levied after October 1, 2012 on assessed values as of January 1, 2012, 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 2012. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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.

This space intentionally left blank.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 7 - TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for the City's operations for the year ended December 31, 2013 was \$14.18 per \$1,000 of assessed value. The assessed value upon which the 2013 receipts were based was \$113,756,660. This amount constitutes \$113,221,550 in real property assessed value and \$535,110 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.418% (14.18 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.9% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of 1.9% of taxable salaries, wages, commissions and other compensation.

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2013 consisted of taxes, interest, accounts receivable, interfund loans, loans and intergovernmental receivables arising from shared revenues.

NOTE 9 - INTERFUND BALANCES

Individual interfund balances at December 31, 2013 that are expected to be paid within one year are as follows:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Funds:		
General Fund	\$79,421	\$0
OPWC Grants Fund	0	1,011
DARE Grant Fund	0	705
Sidewalk Improvement Fund	0	21,932
Downtown Revitalization Grant Fund	0	55,773
Totals	\$79,421	\$79,421

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 10 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2013:

Transfers In:	Transfers Out:						Total
	General Fund	Income Tax Fund	Other Governmental Funds	Garage Fund	Sewer Fund	Refuse Fund	
General Fund	\$0	\$0	\$500	\$0	\$0	\$0	\$500
Other Governmental Funds	282,414	1,058,245	92,156	3,000	23,972	282,650	1,742,437
Total	<u>\$282,414</u>	<u>\$1,058,245</u>	<u>\$92,656</u>	<u>\$3,000</u>	<u>\$23,972</u>	<u>\$282,650</u>	<u>\$1,742,937</u>

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

This space intentionally left blank.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 11 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2013:

Historical Cost:

Class	December 31, 2012	Transfers	Additions	Deletions	December 31, 2013
<i>Capital assets not being depreciated:</i>					
Land	\$2,224,323	\$0	\$0	\$0	\$2,224,323
Construction in Progress	1,503,426	0	1,366,423	(1,901,975)	967,874
Subtotal	<u>3,727,749</u>	<u>0</u>	<u>1,366,423</u>	<u>(1,901,975)</u>	<u>3,192,197</u>
<i>Capital assets being depreciated:</i>					
Buildings	13,190,328	0	893,523	0	14,083,851
Improvements Other than Buildings	557,914	0	23,510	0	581,424
Machinery and Equipment	6,808,714	13,699	75,746	(24,377)	6,873,782
Infrastructure	35,748,017	0	971,495	(291,515)	36,427,997
Subtotal	<u>56,304,973</u>	<u>13,699</u>	<u>1,964,274</u>	<u>(315,892)</u>	<u>57,967,054</u>
Total Cost	<u>\$60,032,722</u>	<u>\$13,699</u>	<u>\$3,330,697</u>	<u>(\$2,217,867)</u>	<u>\$61,159,251</u>
<i>Accumulated Depreciation:</i>					
Class	December 31, 2012	Transfers	Additions	Deletions	December 31, 2013
Buildings	(\$2,554,427)	\$0	(\$344,163)	\$0	(\$2,898,590)
Improvements Other than Buildings	(93,372)	0	(24,836)	0	(118,208)
Machinery and Equipment	(4,633,138)	(13,699)	(438,801)	21,730	(5,063,908)
Infrastructure	(18,043,692)	0	(1,224,243)	223,780	(19,044,155)
Total Depreciation	<u>(\$25,324,629)</u>	<u>(\$13,699)</u>	<u>(\$2,032,043) *</u>	<u>\$245,510</u>	<u>(\$27,124,861)</u>
<i>Net Value:</i>	<u>\$34,708,093</u>				<u>\$34,034,390</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$334,392
Public Health and Welfare Services	5,183
Leisure Time Activities	131,075
Community Development	3,237
Basic Utility Services	5,632
Transportation	1,341,303
General Government	<u>67,589</u>
Total Depreciation Expense recorded within the Governmental Activities	1,888,411
Amount of Depreciation Expense recorded in the Internal Service Fund	<u>143,632</u>
Total Depreciation Expense	<u>\$2,032,043</u>

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 11 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2013:

Historical Cost:

Class	December 31, 2012	Transfers	Additions	Deletions	December 31, 2013
<i>Capital assets not being depreciated:</i>					
Land	\$1,099,045	\$0	\$0	\$0	\$1,099,045
Construction in Progress	427,519	0	1,878,264	(1,385,891)	919,892
Subtotal	<u>1,526,564</u>	<u>0</u>	<u>1,878,264</u>	<u>(1,385,891)</u>	<u>2,018,937</u>
<i>Capital assets being depreciated:</i>					
Buildings	6,826,387	0	305,874	(51,189)	7,081,072
Infrastructure	11,522,728	0	495,985	(36,699)	11,982,014
Improvements Other than Buildings	1,073,762	0	808,442	0	1,882,204
Machinery and Equipment	19,478,383	(13,699)	129,545	(188,674)	19,405,555
Subtotal	<u>38,901,260</u>	<u>(13,699)</u>	<u>1,739,846</u>	<u>(276,562)</u>	<u>40,350,845</u>
Total Cost	<u>\$40,427,824</u>	<u>(\$13,699)</u>	<u>\$3,618,110</u>	<u>(\$1,662,453)</u>	<u>\$42,369,782</u>

Accumulated Depreciation:

Class	December 31, 2012	Transfers	Additions	Deletions	December 31, 2013
Buildings	(\$3,099,319)	\$0	(\$134,439)	\$13,330	(\$3,220,428)
Infrastructure	(2,614,183)	0	(131,850)	8,405	(2,737,628)
Improvements Other than Buildings	(225,081)	0	(72,459)	0	(297,540)
Machinery and Equipment	(14,003,285)	13,699	(861,106)	188,294	(14,662,398)
Total Depreciation	<u>(\$19,941,868)</u>	<u>\$13,699</u>	<u>(\$1,199,854)</u>	<u>\$210,029</u>	<u>(\$20,917,994)</u>
<i>Net Value:</i>	<u>\$20,485,956</u>				<u>\$21,451,788</u>

This space intentionally left blank.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 12 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2013, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2013 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 13.0% for calendar year 2013. The contribution requirements of plan members and the City are established and may be amended by

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

the OPERS Board. The City's contributions for pension obligations to OPERS for the years ending December 31, 2013, 2012, and 2011 were \$754,142, \$779,117 and \$793,188, respectively, which were equal to the required contributions for each year.

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, by calling (614) 228-2975, or by visiting www.op-f.org.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, employers were 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. The portion of employer contributions used to fund pension obligations from January 1, 2013 through May 31, 2013 was 14.81% for police officers and 19.31% for firefighters. The portion of employer contributions used to fund pension obligations from June 1, 2013 through December 31, 2013 was 16.65% for police officers and 21.15% for firefighters. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2013, 2012, and 2011 were \$310,515, \$309,379 and \$306,084, respectively, which were equal to the required contributions for each year.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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 2013, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% for calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

The City's contributions for health care to the OPERS for the years ending December 31, 2013, 2012, and 2011 were \$215,469, \$222,605 and \$226,625, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

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

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

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2013, the portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013 for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2013, 2012, and 2011 were \$101,798, \$101,610 and \$100,540, respectively, which were equal to the required contributions for each year.

NOTE 14 – COMPENSATED ABSENCES

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2013, the City's accumulated, unpaid compensated absences amounted to \$1,173,299, of which \$850,927 is recorded as a liability of the Governmental Activities and \$322,372 is recorded as a liability of the Business-Type Activities.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

NOTE 15 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2013 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2012	Additions	(Reductions)	Balance December 31, 2013	Amount Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
1973	5.500%	OWDA - Project #1207	2015	\$92,727	\$0	(\$29,262)	\$63,465	\$30,870
1990	7.770%	OWDA - Project #1807	2016	410,347	0	(106,812)	303,535	115,111
2000	3.630%	OWDA - Project #3293	2013	140,889	0	(140,889)	0	0
2008	2.000%	OWDA - Project #4875	2029	4,223,090	0	(188,859)	4,034,231	216,269
Total Ohio Water Development Authority Loans				4,867,053	0	(465,822)	4,401,231	362,250
Payable to Joint Venture				321,951	0	(84,325)	237,626	0
Compensated Absences				342,312	322,372	(342,312)	322,372	125,247
Total Business-Type Long-Term Debt				<u>\$5,531,316</u>	<u>\$322,372</u>	<u>(\$892,459)</u>	<u>\$4,961,229</u>	<u>\$487,497</u>
Governmental Activities:								
General Obligation Bonds:								
2000	5.500%	Recreation Facility	2014	\$67,841	\$0	(\$33,922)	\$33,919	\$33,922
2007	6.000%	Municipal Service Center	2027	3,475,000	0	(170,000)	3,305,000	180,000
2010	2.000%	Improvement Bonds	2030	4,945,000	0	(280,000)	4,665,000	285,000
Total General Obligation Bonds				8,487,841	0	(483,922)	8,003,919	498,922
Ohio Public Works Commission Loans:								
2006	0.000%	East Hamilton Road	2017	13,970	0	(2,793)	11,177	2,793
2006	0.000%	North Professor Street	2021	16,752	0	(1,970)	14,782	1,970
2010	0.000%	North Pleasant/Walnut Street	2029	259,345	0	(15,256)	244,089	15,256
2011	0.000%	North Professor, Union Street	2027	162,400	0	(11,600)	150,800	11,600
2013	0.000%	South Professor Street	2034	0	198,144	0	198,144	4,954
Total Ohio Public Commission Loans				452,467	198,144	(31,619)	618,992	36,573
Compensated Absences				833,953	850,927	(833,953)	850,927	326,041
Total Governmental Activities Long-Term Debt				<u>\$9,774,261</u>	<u>\$1,049,071</u>	<u>(\$1,349,494)</u>	<u>\$9,473,838</u>	<u>\$861,536</u>

This space intentionally left blank.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

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, 2013 follows:

Years	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$498,922	\$291,505	\$362,250	\$106,684	\$36,573	\$0
2015	475,000	273,606	377,266	91,669	41,529	0
2016	410,000	256,706	289,420	75,815	41,529	0
2017	420,000	240,306	229,574	66,304	41,530	0
2018	435,000	223,506	234,188	61,689	38,733	0
2019-2023	2,450,000	881,284	1,243,471	235,918	188,747	0
2024-2028	2,700,000	400,718	1,373,566	105,823	160,602	0
2029-2033	614,997	33,000	291,496	4,380	64,795	0
2034	0	0	0	0	4,954	0
Totals	<u>\$8,003,919</u>	<u>\$2,600,631</u>	<u>\$4,401,231</u>	<u>\$748,282</u>	<u>\$618,992</u>	<u>\$0</u>

This space intentionally left blank.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2013***

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2013 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>
Fire Station	\$2,521	2014
Morgan St. Waterworks Bldg.	1,474	2014
Gasholder Bldg.	55,899	2014
Green Acres Demolition	17,966	2014
Elm and Vine Street Improvements	16,465	2014
S. Park/Lincoln Improvement	8,935	2014
S. Professor Paving	68,724	2014
W. College Paving	21,817	2014
Downtown Sidewalk	47,707	2014
W. College Sidewalk	35,500	2014
Main St./Lorain Traffic Signal	40,160	2014
WEPF Tertiary Filter	176,707	2014
WEPF Backup Generator	16,660	2014
Main St./College Pedestrian Signal	2,774	2014
Greenhouse Gas Inventory	8,694	2014
Emission Control System Materials	1,047,505	2014
NESHAP Rice Compliance Design	11,448	2014
Water Distribution Model Update	19,855	2014
LGIF Fleet Emissions Study	54,826	2014
Total	<u><u>\$1,655,637</u></u>	

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 17 - RISK MANAGEMENT

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

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

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

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

There has been no significant reduction in insurance coverages compared to the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 18 - CONTINGENCIES

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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 position 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 \$22,277 at December 31, 2013. 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 19 - JOINT VENTURES (Continued)

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013 the City of Oberlin has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2013, the outstanding debt was \$15,769,323. The City's net obligation for this amount at December 31, 2013 was \$182,924. 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 \$206,810 at December 31, 2013. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

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, 2013 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	100.00%	134,081

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

	Years	Principal	Interest	Total Debt Service
2014		43,949	2,346	46,295
2015		44,512	1,782	46,294
2016		45,083	1,211	46,294
2017-2020		49,380	681	50,061
Total Gross Liability		<u>182,924</u>	<u>6,020</u>	<u>188,944</u>
Net Obligation		<u>\$182,924</u>		

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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 Joint Venture JV5 Agreement (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.

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 the 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, 2013 the City of 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

NOTE 19 - JOINT VENTURES (Continued)

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP 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 \$295,113 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at 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

Notes to the Basic Financial Statements For the Year Ended December 31, 2013

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, 2013 the City of 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, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. 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, 2013 was \$54,702 (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 \$286,140 at December 31, 2013. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2013**

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, 2013 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
2014	30,394	4,818	35,212
2015	31,150	4,062	35,212
2016	12,403	0	12,403
Total Gross Liability	<u>73,947</u>	<u>8,880</u>	<u>82,827</u>
Less: Amounts Held in Reserve	<u>(19,245)</u>		
Net Obligation	<u>\$54,702</u>		



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Oberlin
Lorain County
85 South Main Street
Oberlin, Ohio 44074

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Oberlin, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looped "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 29, 2014



Dave Yost • Auditor of State

CITY OF OBERLIN

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2014**