

**CITY OF OBERLIN  
LORAIN COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**

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





# Dave Yost • Auditor of State

City Council  
City of Oberlin  
69 S. Main Street  
Oberlin, Ohio 44074

We have reviewed the Independent Auditor's Report of the City of Oberlin, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Oberlin is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

August 24, 2016

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of City Council  
City of Oberlin  
Oberlin, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68, and rested its net position at December 31, 2014 for governmental activities and business-type activities. Also, the City restated its December 31, 2014 net position for governmental and business-type activities due to an accounts receivable error and net position for business-type activities due to an error in reporting of construction in progress in the sewer fund. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, on our consideration of the City of Oberlin, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Oberlin, Ohio's internal control over financial reporting and compliance.



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

June 13, 2016

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## **CITY OF OBERLIN, OHIO**

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2015***

***Unaudited***

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The discussion and analysis of the City of Oberlin's ("the City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2015. 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 2015 are as follows:

- ❑ In total, net position increased \$624,836. Net position of governmental activities increased \$496,732 from 2014. Net position of business-type activities increased \$128,104 from 2014.
- ❑ General revenues accounted for \$10.3 million in revenue or 37% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 63% of total revenues of \$27.9 million.
- ❑ The City had \$12.2 million in expenses related to governmental activities; only \$2.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$10.3 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$8.8 million in revenues and \$7.6 million in expenditures. The general fund's fund balance, including transfers, increased \$748,801 to \$10,682,934.

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

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

These statements are as follows:

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

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

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2015***

***Unaudited***

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### **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, basic utility services, 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, 2015**

**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 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$16,610,247	\$14,869,273	\$17,039,406	\$19,075,458	\$33,649,653	\$33,944,731
Capital assets, Net	32,313,184	33,786,952	25,119,188	23,938,284	57,432,372	57,725,236
Total assets	<u>48,923,431</u>	<u>48,656,225</u>	<u>42,158,594</u>	<u>43,013,742</u>	<u>91,082,025</u>	<u>91,669,967</u>
Deferred outflows of resources	<u>1,100,277</u>	<u>666,619</u>	<u>438,160</u>	<u>273,180</u>	<u>1,538,437</u>	<u>939,799</u>
Net pension liability	6,717,201	6,429,486	2,226,796	2,171,721	8,943,997	8,601,207
Other long-term liabilities	8,537,163	8,960,099	4,132,829	4,542,890	12,669,992	13,502,989
Other liabilities	760,622	506,205	540,252	1,046,296	1,300,874	1,552,501
Total liabilities	<u>16,014,986</u>	<u>15,895,790</u>	<u>6,899,877</u>	<u>7,760,907</u>	<u>22,914,863</u>	<u>23,656,697</u>
Deferred inflows of resources	<u>993,589</u>	<u>908,653</u>	<u>366,690</u>	<u>323,932</u>	<u>1,360,279</u>	<u>1,232,585</u>
Net position (deficit):						
Net investment in capital assets	24,645,026	25,704,486	21,457,473	19,899,303	46,102,499	45,603,789
Restricted	2,846,683	2,648,268	0	0	2,846,683	2,648,268
Unrestricted	<u>5,523,424</u>	<u>4,165,647</u>	<u>13,872,714</u>	<u>15,302,780</u>	<u>19,396,138</u>	<u>19,468,427</u>
Total net position	<u>\$33,015,133</u>	<u>\$32,518,401</u>	<u>\$35,330,187</u>	<u>\$35,202,083</u>	<u>\$68,345,320</u>	<u>\$67,720,484</u>

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

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2015***

***Unaudited***

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

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

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

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

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2015***

***Unaudited***

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation along with other items listed in Note 2, also had the effect of restating net position at December 31, 2014, from \$39,133,356 to a net position of \$32,518,401 in governmental activities and from \$35,500,182 to a net position of \$35,202,083 in business type activities.

At fiscal year-end for governmental activities, capital assets represented 66% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at December 31, 2015 was \$24,645,026. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,846,683, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the City has approximately \$11.3 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015**

**Unaudited**

Changes in Net position – The following table shows the changes in net position for the fiscal year 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,687,148	\$1,692,952	\$15,135,515	\$15,728,614	\$16,822,663	\$17,421,566
Operating Grants and Contributions	239,297	609,364	0	0	239,297	609,364
Capital Grants and Contributions	485,606	1,089,798	0	0	485,606	1,089,798
General revenues:						
Property Taxes	765,642	762,165	302,763	300,999	1,068,405	1,063,164
Municipal Income Taxes	7,421,843	5,471,164	0	0	7,421,843	5,471,164
Shared Revenues	645,050	381,484	36,770	37,356	681,820	418,840
Investment Earnings	147,253	152,311	0	0	147,253	152,311
Miscellaneous	1,000,285	912,863	0	0	1,000,285	912,863
Total revenues	<u>12,392,124</u>	<u>11,072,101</u>	<u>15,475,048</u>	<u>16,066,969</u>	<u>27,867,172</u>	<u>27,139,070</u>
Program Expenses						
Security of Persons and Property	3,783,506	3,759,928	0	0	3,783,506	3,759,928
Public Health and Welfare Services	112,721	99,819	0	0	112,721	99,819
Leisure Time Activities	573,899	579,982	0	0	573,899	579,982
Community Environment	334,474	431,126	0	0	334,474	431,126
Basic Utility Services	295,922	236,684	0	0	295,922	236,684
Transportation	3,277,036	1,894,729	0	0	3,277,036	1,894,729
General Government	3,541,730	3,152,758	0	0	3,541,730	3,152,758
Interest and Fiscal Charges	269,614	289,978	0	0	269,614	289,978
Cable	0	0	74,892	4,967	74,892	4,967
Water	0	0	1,980,089	2,038,189	1,980,089	2,038,189
Sewer	0	0	1,450,775	2,117,739	1,450,775	2,117,739
Refuse	0	0	926,195	1,601,026	926,195	1,601,026
Electric	0	0	10,621,483	10,209,526	10,621,483	10,209,526
Total expenses	<u>12,188,902</u>	<u>10,445,004</u>	<u>15,053,434</u>	<u>15,971,447</u>	<u>27,242,336</u>	<u>26,416,451</u>
Excess (deficiency) before Transfers	203,222	627,097	421,614	95,522	624,836	722,619
Transfers In (Out)	<u>293,510</u>	<u>293,672</u>	<u>(293,510)</u>	<u>(293,672)</u>	<u>0</u>	<u>0</u>
Total Change in Net Position	496,732	920,769	128,104	(198,150)	624,836	722,619
Beginning Net Position, Restated	<u>32,518,401</u>	<u>N/A</u>	<u>35,202,083</u>	<u>N/A</u>	<u>67,720,484</u>	<u>N/A</u>
Ending Net Position	<u>\$33,015,133</u>	<u>\$32,518,401</u>	<u>\$35,330,187</u>	<u>\$35,202,083</u>	<u>\$68,345,320</u>	<u>\$67,720,484</u>



## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
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***Unaudited***

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$666,619 for Governmental Activities and \$273,180 for Business-type Activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$687,352 for Governmental Activities and \$247,533 for Business-type Activities.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-type Activities
	<u>                    </u>	<u>                    </u>
Total 2015 program expenses under GASB 68	\$12,188,902	\$15,053,434
Pension expense under GASB 68	(687,352)	(247,533)
2015 contractually required contribution	<u>707,258</u>	<u>317,813</u>
Adjusted 2015 program expenses	12,208,808	15,123,714
Total 2014 program expenses under GASB 27	<u>10,445,004</u>	<u>15,971,447</u>
Change in program expenses not related to pension	<u><u>\$1,763,804</u></u>	<u><u>(\$847,733)</u></u>

## CITY OF OBERLIN, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2015*

*Unaudited*

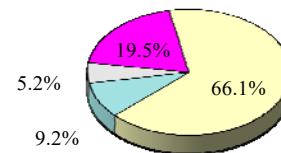
### ***Governmental Activities***

Net position of the City's governmental activities had an increase of \$496,732. Much of this increase can be attributed to the increase in income tax collections from the increase in income tax rate put in place by the City during 2015. Overall, revenues increased by 11.9% compared to 2014.

The City also receives an income tax, which is based on 2.5% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 6.2% and 59.9%, respectively, of revenues for governmental activities for the City in fiscal year 2015. The City's reliance upon tax revenues is demonstrated by the following graph indicating 66.1% of total revenues from general tax revenues:

Revenue Sources	2015	Percent of Total
General Shared Revenues	\$645,050	5.2%
Program Revenues	2,412,051	19.5%
General Tax Revenues	8,187,485	66.1%
General Other	1,147,538	9.2%
Total Revenue	<u>\$12,392,124</u>	<u>100.00%</u>



### ***Business-Type Activities***

Net position of the business-type activities increased by \$128,104. The minor change is due to ordinary operational variations. 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, 2015**

**Unaudited**

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$15,044,230, which is an increase from last year's balance of \$14,150,271. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2015 and 2014:

	Fund Balance December 31, 2015	Fund Balance December 31, 2014	Increase (Decrease)
General	\$10,682,934	\$9,934,133	\$748,801
G.O. Debt Service	100,821	87,708	13,113
Income Tax	1,405,992	1,250,259	155,733
Other Governmental	2,854,483	2,878,171	(23,688)
<b>Total</b>	<b>\$15,044,230</b>	<b>\$14,150,271</b>	<b>\$893,959</b>

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

	2015 Revenues	2014 Revenues	Increase (Decrease)
Taxes	\$5,793,325	\$4,172,134	\$1,621,191
Intergovernmental Revenue	719,060	729,643	(10,583)
Charges for Services	149,357	193,840	(44,483)
Licenses and Permits	278,669	273,196	5,473
Fines and Forfeitures	775,140	698,887	76,253
Investment Earnings	145,674	98,718	46,956
Special Assessments	2,006	10,958	(8,952)
All Other Revenue	909,335	813,980	95,355
<b>Total</b>	<b>\$8,772,566</b>	<b>\$6,991,356</b>	<b>\$1,781,210</b>

General Fund revenues in 2015 increased by \$1,781,210 or about 25.5% compared to revenues in fiscal year 2014.

	2015 Expenditures	2014 Expenditures	Increase (Decrease)
Security of Persons and Property	\$3,133,169	\$3,000,482	\$132,687
Public Health and Welfare Services	127,460	119,039	8,421
Leisure Time Activities	432,192	458,031	(25,839)
Community Environment	329,749	344,807	(15,058)
Transportation	199,250	186,524	12,726
General Government	3,405,358	2,986,489	418,869
<b>Total</b>	<b>\$7,627,178</b>	<b>\$7,095,372</b>	<b>\$531,806</b>

General Fund expenditures increased by \$531,806 compared to the prior year mostly due to ordinary operational variations

For the Income Tax Fund, the fund balance increase of \$155,733 is related to ordinary annual fluctuations in capital expenditures.

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015**

**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 2015, the City amended its General Fund budget several times, to adjust for various appropriations.

For the General Fund, final budget basis revenue of \$8.2 million, not including other financing sources, did not change from the original budget. The General Fund had an adequate fund balance to cover expenditures.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2015, the City had \$57,432,372 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$32,313,184 was related to governmental activities and \$25,119,188 to the business-type activities. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land	\$2,224,323	\$2,224,323	\$0
Construction in Progress	1,184,638	2,095,478	(910,840)
Buildings	13,359,209	13,359,209	0
Improvements Other Than Buildings	822,652	581,424	241,228
Machinery and Equipment	7,168,903	7,135,055	33,848
Infrastructure	36,835,337	36,958,960	(123,623)
Less: Accumulated Depreciation	(29,281,878)	(28,567,497)	(714,381)
Totals	<u>\$32,313,184</u>	<u>\$33,786,952</u>	<u>(\$1,473,768)</u>

	Business-Type Activities		Increase (Decrease)
	2015	Restated 2014	
Land	\$720,548	\$720,548	\$0
Construction in Progress	2,867,163	1,228,535	1,638,628
Buildings	7,133,091	7,081,072	52,019
Infrastructure	13,642,889	13,385,548	257,341
Improvements Other Than Buildings	1,874,004	1,874,004	0
Machinery and Equipment	21,324,102	20,944,738	379,364
Less: Accumulated Depreciation	(22,442,609)	(21,296,161)	(1,146,448)
Totals	<u>\$25,119,188</u>	<u>\$23,938,284</u>	<u>\$1,180,904</u>

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2015***

***Unaudited***

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The business-type activities increase in capital assets was related to additions to infrastructure improvements in both Water and Wastewater. The decrease in governmental activities was due primarily to depreciation expense. Additional information on the City's capital assets can be found in Note 10.

### ***Debt***

At December 31, 2015, the City had \$7.1 million in bonds outstanding, with \$450,000 being due within one year. The following table summarizes the City's long-term obligations outstanding as of December 31, 2015 and 2014:

	2015	Restated 2014
	<u>2015</u>	<u>2014</u>
Governmental Activities:		
General Obligation Bonds	\$7,139,846	\$7,505,000
OPWC Loans Payable	528,312	569,838
Net Pension Liability	6,717,201	5,762,867
Compensated Absences	869,005	885,261
Total Governmental Activities	<u>15,254,364</u>	<u>14,722,966</u>
Business-Type Activities:		
OWDA Loans Payable	\$3,661,715	\$4,038,981
Payable to Joint Venture	93,409	158,223
Net Pension Liability	2,226,796	1,898,541
Compensated Absences	377,705	345,686
Total Business-Type Activities	<u>6,359,625</u>	<u>6,441,431</u>
Totals	<u>\$21,613,989</u>	<u>\$21,164,397</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the County, is limited to ten mills. At December 31, 2015, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2015***

***Unaudited***

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### **ECONOMIC FACTORS**

The City's original budget for 2015 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 23% more than the actual receipts for 2014. This was due to higher revenue from the new income taxes and an increase in advance repayments from other funds along with the conservative based budgeting for income tax collections.

General Fund expenditures were originally budgeted at 17% more than 2014 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.

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**CITY OF OBERLIN, OHIO**

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**Statement of Net Position**  
**December 31, 2015**

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,657,197	\$ 1,104,709	\$ 3,761,906
Investments	11,200,620	12,814,037	24,014,657
Receivables:			
Taxes	2,109,506	355,202	2,464,708
Accounts	235,826	1,219,273	1,455,099
Intergovernmental	401,811	18,385	420,196
Interest	125,314	0	125,314
Special Assessments	56,282	0	56,282
Loans	372,328	0	372,328
Internal Balances	(626,235)	626,235	0
Inventory of Supplies at Cost	64,004	415,498	479,502
Prepaid Items	13,594	25,394	38,988
Capital Assets:			
Capital Assets Not Being Depreciated	3,408,961	3,587,711	6,996,672
Capital Assets Being Depreciated, Net	28,904,223	21,531,477	50,435,700
Investment in Joint Venture	<u>0</u>	<u>460,673</u>	<u>460,673</u>
<b>Total Assets</b>	<u>48,923,431</u>	<u>42,158,594</u>	<u>91,082,025</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Loss on Debt Refunding	74,884	0	74,884
Pension	<u>1,025,393</u>	<u>438,160</u>	<u>1,463,553</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,100,277</u>	<u>438,160</u>	<u>1,538,437</u>
<b>Liabilities:</b>			
Accounts Payable	390,972	398,631	789,603
Accrued Wages and Benefits	220,853	141,621	362,474
Due to Others	131,988	0	131,988
Accrued Interest Payable	16,809	0	16,809
Long-Term Liabilities:			
Due Within One Year	785,239	440,267	1,225,506
Net Pension Liability	6,717,201	2,226,796	8,943,997
Due in More Than One Year	<u>7,751,924</u>	<u>3,692,562</u>	<u>11,444,486</u>
<b>Total Liabilities</b>	<u>16,014,986</u>	<u>6,899,877</u>	<u>22,914,863</u>



**CITY OF OBERLIN, OHIO**

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	942,436	327,065	1,269,501
Pension	51,153	39,625	90,778
Total Deferred Inflows of Resources	993,589	366,690	1,360,279
<b>Net Position:</b>			
Net Investment in Capital Assets	24,645,026	21,457,473	46,102,499
Restricted For:			
Capital Projects	1,409,730	0	1,409,730
Debt Service	275,490	0	275,490
Other Purposes	1,161,463	0	1,161,463
Unrestricted	5,523,424	13,872,714	19,396,138
<b>Total Net Position</b>	<b>\$ 33,015,133</b>	<b>\$ 35,330,187</b>	<b>\$ 68,345,320</b>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2015**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 3,783,506	\$ 89,857	\$ 2,060	\$ 98,650
Public Health and Welfare Services	112,721	29,512	0	0
Leisure Time Activities	573,899	22,118	0	0
Community Environment	334,474	242,068	0	0
Basic Utility Services	295,922	675	8,720	0
Transportation	3,277,036	58,860	228,517	386,956
General Government	3,541,730	1,244,058	0	0
Interest and Fiscal Charges	269,614	0	0	0
<b>Total Governmental Activities</b>	<u>12,188,902</u>	<u>1,687,148</u>	<u>239,297</u>	<u>485,606</u>
<b>Business-Type Activities:</b>				
Cable	74,892	12,995	0	0
Water	1,980,089	1,883,928	0	0
Sewer	1,450,775	1,672,619	0	0
Refuse	926,195	730,240	0	0
Electric	10,621,483	10,835,733	0	0
<b>Total Business-Type Activities</b>	<u>15,053,434</u>	<u>15,135,515</u>	<u>0</u>	<u>0</u>
<b>Totals</b>	<u>\$ 27,242,336</u>	<u>\$ 16,822,663</u>	<u>\$ 239,297</u>	<u>\$ 485,606</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, Restated

Net Position End of Year

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,592,939)	\$ 0	\$ (3,592,939)
(83,209)	0	(83,209)
(551,781)	0	(551,781)
(92,406)	0	(92,406)
(286,527)	0	(286,527)
(2,602,703)	0	(2,602,703)
(2,297,672)	0	(2,297,672)
(269,614)	0	(269,614)
(9,776,851)	0	(9,776,851)
0	(61,897)	(61,897)
0	(96,161)	(96,161)
0	221,844	221,844
0	(195,955)	(195,955)
0	214,250	214,250
0	82,081	82,081
(9,776,851)	82,081	(9,694,770)
765,642	302,763	1,068,405
7,421,843	0	7,421,843
645,050	36,770	681,820
147,253	0	147,253
1,000,285	0	1,000,285
293,510	(293,510)	0
10,273,583	46,023	10,319,606
496,732	128,104	624,836
32,518,401	35,202,083	67,720,484
\$ 33,015,133	\$ 35,330,187	\$ 68,345,320

**CITY OF OBERLIN, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2015**

	General	G.O. Debt Service	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 618,135	\$ 100,821	\$ 73,535	\$ 1,662,062	\$ 2,454,553
Investments	8,602,268	0	1,028,311	1,570,041	11,200,620
Receivables:					
Taxes	1,303,744	0	317,155	488,607	2,109,506
Accounts	103,853	0	131,973	0	235,826
Intergovernmental	198,905	0	0	202,906	401,811
Interest	125,314	0	0	0	125,314
Special Assessments	0	0	0	56,282	56,282
Loans	0	0	0	372,328	372,328
Interfund Loans Receivables	691,784	0	0	0	691,784
Inventory of Supplies, at Cost	12,039	0	0	51,965	64,004
Prepaid Items	13,594	0	0	0	13,594
<b>Total Assets</b>	<b>\$ 11,669,636</b>	<b>\$ 100,821</b>	<b>\$ 1,550,974</b>	<b>\$ 4,404,191</b>	<b>\$ 17,725,622</b>
<b>Liabilities:</b>					
Accounts Payable	66,915	0	13,009	297,456	377,380
Accrued Wages and Benefits Payable	169,504	0	0	44,943	214,447
Due to Others	0	0	0	131,988	131,988
Interfund Loans Payable	0	0	0	62,745	62,745
<b>Total Liabilities</b>	<b>236,419</b>	<b>0</b>	<b>13,009</b>	<b>537,132</b>	<b>786,560</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Amounts	271,789	0	131,973	548,634	952,396
Property Tax for Next Fiscal Year	478,494	0	0	463,942	942,436
<b>Total Deferred Inflows of Resources</b>	<b>750,283</b>	<b>0</b>	<b>131,973</b>	<b>1,012,576</b>	<b>1,894,832</b>
<b>Fund Balances:</b>					
Nonspendable	25,633	0	0	79,224	104,857
Restricted	0	0	0	2,387,283	2,387,283
Committed	0	0	1,405,992	517,156	1,923,148
Assigned	609,220	100,821	0	0	710,041
Unassigned	10,048,081	0	0	(129,180)	9,918,901
<b>Total Fund Balances</b>	<b>10,682,934</b>	<b>100,821</b>	<b>1,405,992</b>	<b>2,854,483</b>	<b>15,044,230</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 11,669,636</b>	<b>\$ 100,821</b>	<b>\$ 1,550,974</b>	<b>\$ 4,404,191</b>	<b>\$ 17,725,622</b>

See accompanying notes to the basic financial statements

## CITY OF OBERLIN, OHIO

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### ***Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2015***

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**Total Governmental Fund Balances** \$ 15,044,230

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

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 28,945,326

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

Property Taxes	65,348	
Charges for Services	372,327	
Interest Revenues	98,924	
All Other Revenues	131,973	
Special Assessments	51,270	
Intergovernmental	<u>232,554</u>	952,396

The net pension liability is not due and payable in the current period;  
therefore, the liability and related deferred inflows/outflows are not  
reported in governmental funds:

Deferred Outflows - Pension	1,005,715	
Deferred Inflows - Pension	(49,374)	
Net Pension Liability	<u>(6,614,158)</u>	(5,657,817)

Accrued interest on outstanding debt is not due and payable in  
the current period and, therefore, is not reported in the funds,  
it is reported when due. (16,809)

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. 2,191,394

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

General Obligation Bonds Payable	(7,080,000)	
Ohio Public Works Commission Loan Payable	(528,312)	
Premium on General Obligation Bonds Payable	(59,846)	
Deferred Loss on Debt Refunding	74,884	
Compensated Absences Payable	<u>(850,313)</u>	<u>(8,443,587)</u>

***Net Position of Governmental Activities*** \$ 33,015,133

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, 2015

	General	G.O. Debt Service	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 474,636	\$ 0	\$ 0	\$ 287,041	\$ 761,677
Municipal Income Tax	5,318,689	0	2,103,059	95	7,421,843
Intergovernmental Revenues	719,060	0	68,650	356,463	1,144,173
Charges for Services	149,357	0	0	3,912	153,269
Licenses and Permits	278,669	0	0	0	278,669
Investment Earnings	145,674	0	0	2,605	148,279
Special Assessments	2,006	0	0	5,012	7,018
Fines and Forfeitures	775,140	0	0	170,052	945,192
All Other Revenue	909,335	0	40,303	329,756	1,279,394
<b>Total Revenues</b>	<b>8,772,566</b>	<b>0</b>	<b>2,212,012</b>	<b>1,154,936</b>	<b>12,139,514</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	3,133,169	0	0	345,416	3,478,585
Public Health and Welfare Services	127,460	0	0	2,483	129,943
Leisure Time Activities	432,192	0	0	5	432,197
Community Environment	329,749	0	0	29,251	359,000
Basic Utility Services	0	0	0	245,476	245,476
Transportation	199,250	0	0	576,567	775,817
General Government	3,405,358	0	0	36,638	3,441,996
Capital Outlay	0	0	1,028,537	900,545	1,929,082
Debt Service:					
Principal Retirement	0	550,000	41,526	0	591,526
Interest & Fiscal Charges	0	280,593	0	0	280,593
<b>Total Expenditures</b>	<b>7,627,178</b>	<b>830,593</b>	<b>1,070,063</b>	<b>2,136,381</b>	<b>11,664,215</b>
Excess (Deficiency) of Revenues					
Over Expenditures	1,145,388	(830,593)	1,141,949	(981,445)	475,299
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	1,339	0	0	0	1,339
Payment to Refunding Bond Escrow Agent	0	(3,199,884)	0	0	(3,199,884)
Refunding General Obligation Bonds Issued	0	3,250,000	0	0	3,250,000
Premiums on Refunding Bonds Issued	0	64,833	0	0	64,833
Transfers In	500	728,757	0	1,043,988	1,773,245
Transfers Out	(400,063)	0	(986,216)	(90,456)	(1,476,735)
<b>Total Other Financing Sources (Uses)</b>	<b>(398,224)</b>	<b>843,706</b>	<b>(986,216)</b>	<b>953,532</b>	<b>412,798</b>
Net Change in Fund Balances	747,164	13,113	155,733	(27,913)	888,097
<b>Fund Balances at Beginning of Year</b>	<b>9,934,133</b>	<b>87,708</b>	<b>1,250,259</b>	<b>2,878,171</b>	<b>14,150,271</b>
Increase in Inventory Reserve	1,637	0	0	4,225	5,862
<b>Fund Balances at End of Year</b>	<b>\$ 10,682,934</b>	<b>\$ 100,821</b>	<b>\$ 1,405,992</b>	<b>\$ 2,854,483</b>	<b>\$ 15,044,230</b>

See accompanying notes to the basic financial statements

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**CITY OF OBERLIN, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2015***

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Net Change in Fund Balances - Total Governmental Funds \$ 888,097

***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.

Capital Outlay	1,211,834	
Depreciation	<u>(2,210,224)</u>	(998,390)

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. (410,918)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 61,659

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

Property Taxes	3,965	
Charges for Services	1,282	
Special Assessments	51,270	
Interest	(1,026)	
All Other Revenues	131,973	
Intergovernmental	<u>2,148</u>	189,612

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 692,983

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (676,237)

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

General Obligation Bonds Principal	3,675,000	
OPWC Loan Principal	41,526	
General Obligation Bonds Issued	(3,250,000)	
Premium on New Bonds Issued	(64,833)	
Deferred Loss on New Bonds Issued	74,884	
Amortization of Premium on G.O. Bonds	<u>4,987</u>	481,564

(Continued)



**CITY OF OBERLIN, OHIO**

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Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable	5,992
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Supplies Inventory	5,862	
Decrease in Compensated Absences Payable	<u>19,842</u>	25,704

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

236,666

***Change in Net Position of Governmental Activities***

\$ 496,732

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, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 479,675	\$ 479,675	\$ 474,636	\$ (5,039)
Municipal Income Tax	4,987,000	4,987,000	5,153,904	166,904
Intergovernmental Revenue	667,177	667,177	722,224	55,047
Charges for Services	130,000	130,000	149,357	19,357
Licenses and Permits	223,700	223,700	271,097	47,397
Investment Earnings	108,000	108,000	162,468	54,468
Special Assessments	1,000	1,000	2,006	1,006
Fines and Forfeitures	765,000	765,000	768,371	3,371
All Other Revenues	803,638	803,638	811,943	8,305
Total Revenues	<u>8,165,190</u>	<u>8,165,190</u>	<u>8,516,006</u>	<u>350,816</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,302,381	3,322,082	3,148,359	173,723
Public Health and Welfare Services	162,507	138,507	128,893	9,614
Leisure Time Activities	533,486	523,486	435,538	87,948
Community Environment	441,600	441,600	333,863	107,737
Transportation	200,111	200,111	199,250	861
General Government	3,755,215	3,836,633	3,419,886	416,747
Total Expenditures	<u>8,395,300</u>	<u>8,462,419</u>	<u>7,665,789</u>	<u>796,630</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,110)	(297,229)	850,217	1,147,446
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	1,339	1,339
Transfers In	0	0	3,514	3,514
Transfers Out	(400,063)	(400,063)	(400,063)	0
Advances In	694,298	694,298	694,298	0
Advances Out	(1,000,000)	(952,580)	(691,784)	260,796
Total Other Financing Sources (Uses):	<u>(705,765)</u>	<u>(658,345)</u>	<u>(392,696)</u>	<u>265,649</u>
Net Change In Fund Balance	(935,875)	(955,574)	457,521	1,413,095
Fund Balance at Beginning of Year	8,226,605	8,226,605	8,226,605	0
Prior Year Encumbrances	229,864	229,864	229,864	0
Fund Balance at End of Year	<u>\$ 7,520,594</u>	<u>\$ 7,500,895</u>	<u>\$ 8,913,990</u>	<u>\$ 1,413,095</u>

See accompanying notes to the basic financial statements

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## CITY OF OBERLIN, OHIO

### Statement of Net Position Proprietary Funds December 31, 2015

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
<b>Assets:</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 191,204	\$ 151,839	\$ 562,867	\$ 10,432
Investments	2,673,775	2,123,296	7,871,080	145,886
Receivables:				
Taxes	0	0	0	355,202
Accounts	143,523	119,042	907,530	49,178
Intergovernmental	0	0	0	18,385
Inventory of Supplies at Cost	22,076	900	392,522	0
Prepaid Items	3,676	5,267	12,254	4,197
<i>Total Current Assets</i>	<u>3,034,254</u>	<u>2,400,344</u>	<u>9,746,253</u>	<u>583,280</u>
<i>Non Current Assets:</i>				
Capital Assets, Net	10,774,910	9,368,263	2,998,952	1,977,063
Investment in Joint Venture	0	0	460,673	0
<b>Total Assets</b>	<u>13,809,164</u>	<u>11,768,607</u>	<u>13,205,878</u>	<u>2,560,343</u>
<b>Deferred Outflows of Resources:</b>				
Pension	113,048	87,131	204,177	33,804
<b>Liabilities:</b>				
<i>Current Liabilities:</i>				
Accounts Payable	183,970	30,371	131,846	13,582
Accrued Wages and Benefits	34,751	30,204	63,415	13,251
Interfund Loans Payable	0	0	0	629,039
Compensated Absences Payable - Current	31,545	30,977	74,824	13,502
Ohio Water Development Authority Loans - Current	225,050	64,369	0	0
<i>Total Current Liabilities</i>	<u>475,316</u>	<u>155,921</u>	<u>270,085</u>	<u>669,374</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	42,463	55,109	115,616	13,669
Net Pension Liability	614,503	462,644	991,850	157,799
OWDA Loans Payable	3,372,296	0	0	0
Payable to Joint Venture	0	0	93,409	0
<b>Total Liabilities</b>	<u>4,504,578</u>	<u>673,674</u>	<u>1,470,960</u>	<u>840,842</u>
<b>Deferred Inflows of Resources:</b>				
Property Tax for Next Fiscal Year	0	0	0	327,065
Pension	10,222	7,880	18,464	3,059
<b>Total Deferred Inflows of Resources</b>	<u>10,222</u>	<u>7,880</u>	<u>18,464</u>	<u>330,124</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	7,177,564	9,303,894	2,998,952	1,977,063
Unrestricted	2,229,848	1,870,290	8,921,679	(553,882)
<b>Total Net Position</b>	<u>\$ 9,407,412</u>	<u>\$ 11,174,184</u>	<u>\$ 11,920,631</u>	<u>\$ 1,423,181</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

Other Enterprise	Total	Governmental Activities - Internal Service Funds
\$ 188,367	\$ 1,104,709	\$ 202,644
0	12,814,037	0
0	355,202	0
0	1,219,273	0
0	18,385	0
0	415,498	0
0	25,394	0
188,367	15,952,498	202,644
0	25,119,188	3,367,858
0	460,673	0
188,367	41,532,359	3,570,502
0	438,160	19,678
38,862	398,631	13,592
0	141,621	6,406
0	629,039	0
0	150,848	6,781
0	289,419	0
38,862	1,609,558	26,779
0	226,857	11,911
0	2,226,796	103,043
0	3,372,296	0
0	93,409	0
38,862	7,528,916	141,733
0	327,065	0
0	39,625	1,779
0	366,690	1,779
0	21,457,473	3,367,858
149,505	12,617,440	78,810
\$ 149,505	\$ 34,074,913	\$ 3,446,668
	1,255,274	
	\$ 35,330,187	

## CITY OF OBERLIN, OHIO

### Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2015

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
<b>Operating Revenues:</b>				
Charges for Services	1,876,843	1,670,620	10,815,309	596,591
Other Operating Revenue	7,085	1,999	63,239	133,649
<b>Total Operating Revenues</b>	<b>1,883,928</b>	<b>1,672,619</b>	<b>10,878,548</b>	<b>730,240</b>
<b>Operating Expenses:</b>				
Personal Services	940,150	787,245	2,177,050	318,752
Contractual Services	193,851	162,486	1,416,985	325,757
Materials and Supplies	124,351	49,354	28,699	0
Purchased Power	0	0	6,618,831	0
Depreciation	609,240	387,718	285,456	128,581
<b>Total Operating Expenses</b>	<b>1,867,592</b>	<b>1,386,803</b>	<b>10,527,021</b>	<b>773,090</b>
Operating Income (Loss)	16,336	285,816	351,527	(42,850)
<b>Nonoperating Revenues (Expenses):</b>				
Property Taxes	0	0	0	339,533
Interest Expense	(75,262)	(14,956)	0	0
Loss on Sale of Capital Assets	0	0	(1,739)	0
Loss on Investment in Joint Venture	0	0	(41,076)	0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(75,262)</b>	<b>(14,956)</b>	<b>(42,815)</b>	<b>339,533</b>
Income (Loss) Before Transfers	(58,926)	270,860	308,712	296,683
Transfers Out	0	(22,059)	0	(271,451)
Change in Net Position	(58,926)	248,801	308,712	25,232
Net Position Beginning of Year, Restated	9,466,338	10,925,383	11,611,919	1,397,949
Net Position End of Year	<b>\$ 9,407,412</b>	<b>\$ 11,174,184</b>	<b>\$ 11,920,631</b>	<b>\$ 1,423,181</b>

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**

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Other Enterprise	Total	Governmental Activities - Internal Service Funds
12,995	14,972,358	416,511
0	205,972	0
12,995	15,178,330	416,511
0	4,223,197	163,212
74,892	2,173,971	92,567
0	202,404	128,765
0	6,618,831	0
0	1,410,995	126,119
74,892	14,629,398	510,663
(61,897)	548,932	(94,152)
0	339,533	0
0	(90,218)	0
0	(1,739)	0
0	(41,076)	0
0	206,500	0
(61,897)	755,432	(94,152)
0	(293,510)	(3,000)
(61,897)	461,922	(97,152)
211,402	33,612,991	3,543,820
\$ 149,505	34,074,913	\$ 3,446,668
	461,922	
	(333,818)	
	\$ 128,104	

**CITY OF OBERLIN, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,892,533	\$1,682,488	\$11,227,948	\$721,900
Cash Payments for Goods and Services	(314,018)	(957,920)	(8,054,847)	(335,038)
Cash Payments to Employees	(957,772)	(793,700)	(2,180,225)	(324,725)
Net Cash Provided (Used) for Operating Activities	<u>620,743</u>	<u>(69,132)</u>	<u>992,876</u>	<u>62,137</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers Out to Other Funds	0	(22,059)	0	(271,451)
Advances Out to Other Funds	0	0	0	(63,349)
Receipts of Property Taxes	0	0	0	339,026
Net Cash Provided (Used) for Noncapital Financing Activities	<u>0</u>	<u>(22,059)</u>	<u>0</u>	<u>4,226</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(253,426)	(1,050,259)	(241,362)	(861,578)
Sale of Capital Assets	0	0	0	848,966
Principal Paid on Ohio Water Development Authority Loans	(220,616)	(156,650)	0	0
Interest Paid on All Debt	(75,262)	(14,956)	0	0
Net Cash Used for Capital and Related Financing Activities	<u>(549,304)</u>	<u>(1,221,865)</u>	<u>(241,362)</u>	<u>(12,612)</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	(37,309)	0	(620,612)	(49,086)
Sale of Investments	0	1,263,140	0	0
Net Cash Provided (Used) for Investing Activities	<u>(37,309)</u>	<u>1,263,140</u>	<u>(620,612)</u>	<u>(49,086)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,130	(49,916)	130,902	4,665
Cash and Cash Equivalents at Beginning of Year	157,074	201,755	431,965	5,767
Cash and Cash Equivalents at End of Year	<u>\$191,204</u>	<u>\$151,839</u>	<u>\$562,867</u>	<u>\$10,432</u>



**CITY OF OBERLIN, OHIO**

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Other Enterprise	Total	Governmental Activities - Internal Service Funds
\$12,995	\$15,537,864	\$416,511
(36,030)	(9,697,853)	(214,864)
0	(4,256,422)	(162,900)
(23,035)	1,583,589	38,747
0	(293,510)	(3,000)
0	(63,349)	0
0	339,026	0
0	(17,833)	(3,000)
0	(2,406,625)	0
0	848,966	0
0	(377,266)	0
0	(90,218)	0
0	(2,025,143)	0
0	(707,007)	0
0	1,263,140	0
0	556,133	0
(23,035)	96,746	35,747
211,402	1,007,963	166,897
<u>\$188,367</u>	<u>\$1,104,709</u>	<u>\$202,644</u>

(Continued)

**CITY OF OBERLIN, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) for Operating Activities:</u>				
Operating Income (Loss)	\$16,336	\$285,816	\$351,527	(\$42,850)
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided (Used) for Operating Activities:				
Depreciation Expense	609,240	387,718	285,456	128,581
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	8,605	9,869	349,400	(8,340)
Decrease (Increase) in Inventory	(6,167)	3,240	(59)	0
Decrease (Increase) in Prepaid Items	(274)	(394)	31	(931)
Increase in Deferred Outflows of Resources	(113,048)	(87,131)	(204,177)	(33,804)
Increase (Decrease) in Accounts Payable	11,131	(748,593)	12,540	(8,459)
Increase (Decrease) in Accrued				
Wages and Benefits	(1,978)	840	3,172	(572)
Increase in Net Pension Liability	84,677	65,275	152,960	25,343
Increase in Deferred Inflows of Resources	10,222	7,880	18,464	3,059
Increase in Compensated Absences	1,999	6,348	23,562	110
Total Adjustments	<u>604,407</u>	<u>(354,948)</u>	<u>641,349</u>	<u>104,987</u>
Net Cash Provided (Used)				
for Operating Activities	<u>\$620,743</u>	<u>(\$69,132)</u>	<u>\$992,876</u>	<u>\$62,137</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2015, the Water, Sewer and Electric Funds had outstanding liabilities of \$155,802, \$17,030 and \$38,676 respectively, for the purchase of certain capital assets.  
purchase of certain capital assets.

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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Other Enterprise	Total	Governmental Activities - Internal Service Funds
(\$61,897)	\$548,932	(\$94,152)
0	1,410,995	126,119
0	359,534	0
0	(2,986)	0
0	(1,568)	0
0	(438,160)	(19,678)
38,862	(694,519)	6,501
0	1,462	(147)
0	328,255	14,739
0	39,625	1,779
0	32,019	3,586
38,862	1,034,657	132,899
(\$23,035)	\$1,583,589	\$38,747

**CITY OF OBERLIN, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2015***

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 211,272
Receivables:	
Taxes	817,855
Intergovernmental	<u>48,289</u>
<b>Total Assets</b>	<u>1,077,416</u>
<b>Liabilities:</b>	
Due to Others	<u>1,077,416</u>
<b>Total Liabilities</b>	<u>\$ 1,077,416</u>

See accompanying notes to the basic financial statements

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

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

The accompanying basic financial statements comply with the provisions of 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 18 "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 18 "Joint Ventures."

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

*Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5)* - The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. See Note 18 "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 18 "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.

General Obligation Debt Service Fund - To account for the accumulation of resources for the payments of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and 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.

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

The other enterprise fund of the City accounts for the operation of the City's cable programming service.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has two internal service funds, the Garage Fund and the Office Supplies Fund. The Garage Fund is used to account for monies received from city departments to cover the cost of servicing the vehicles of the City departments. The Office Supplies Fund is used to account for monies used to purchase office supplies used by City departments.

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

Fiduciary fund reporting focuses on net 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

**Government-wide Financial Statements** – The statement of net 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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, 2015, but which are not intended to finance 2015 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 6 “Taxes”.

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

##### **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. For the City, deferred outflows of resources include a deferral on refunding and pension reported in the government-wide statement of net position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension are explained in note 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See note 11)

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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 2015.

###### **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 2015, 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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.

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**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

**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:

	Net Change In Fund Balance
	General Fund
GAAP Basis (as reported)	\$747,164
Increase (Decrease):	
Accrued Revenues at December 31, 2015 received during 2016	(1,673,317)
Accrued Revenues at December 31, 2014 received during 2015	1,472,929
Accrued Expenditures at December 31, 2015 paid during 2016	236,419
Accrued Expenditures at December 31, 2014 paid during 2015	(228,743)
2014 Prepays for 2015	12,969
2015 Prepays for 2016	(13,594)
2015 Adjustment to Fair Value	41,670
2014 Adjustment to Fair Value	(4,408)
Outstanding Encumbrances	(183,625)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	50,057
Budget Basis	\$457,521

**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 5, "Cash, Cash Equivalents and Investments."

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2015. 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, 2015.

##### **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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015***

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**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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015***

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**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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **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 2015.

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**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

In 2015 the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. It was also determined that there needed to be corrections for errors in the reporting of construction in progress in the Sewer Fund, the principal payment on an OPWC loan and the reporting of an accounts receivable prior to 2015.

The implementation of GASB 68 and the correction of the errors had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business-type Activities	Electric Fund	Water Fund
Net Position December 31, 2014	\$39,133,356	\$35,500,182	\$12,450,809	\$9,996,164
Adjustments:				
Net Pension Liability	(6,429,486)	(2,171,721)	(959,598)	(606,062)
Deferred Outflows -				
Payments Subsequent to Measurement Date	666,619	273,180	120,708	76,236
Sewer CIP	0	751,476	0	0
OPWC Loan Payable	7,628	0	0	0
Accounts Receivable	(859,716)	848,966	0	0
Restated Net Position December 31, 2014	<u>\$32,518,401</u>	<u>\$35,202,083</u>	<u>\$11,611,919</u>	<u>\$9,466,338</u>

	Sewer Fund	Refuse Fund	Internal Service Fund
Net Position December 31, 2014	\$10,571,276	\$681,439	\$4,491,840
Adjustments:			
Net Pension Liability	(454,546)	(151,515)	(101,010)
Deferred Outflows -			
Payments Subsequent to Measurement Date	57,177	19,059	12,706
Sewer CIP	751,476	0	0
OPWC Loan Payable	0	0	0
Accounts Receivable	0	848,966	(859,716)
Restated Net Position December 31, 2014	<u>\$10,925,383</u>	<u>\$1,397,949</u>	<u>\$3,543,820</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

***Fund Deficits*** - The fund deficits at December 31, 2015 of \$2,138 in the OPWC Grants Fund 2002, \$21,750 in the OPWC Grants Fund 2005, \$85,536 in the Sidewalk Improvement Fund (capital projects funds), \$12,221 in the Police-Fire Pension Fund (special revenue fund) and \$7,535 in the Utility Deposit Fund (special revenue 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.

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## CITY OF OBERLIN, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2015

#### 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	General Obligation Debt Service Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Principal	\$0	\$0	\$0	\$27,259	\$27,259
Prepaid Items	13,594	0	0	0	13,594
Supplies Inventory	12,039	0	0	51,965	64,004
Total Nonspendable	<u>25,633</u>	<u>0</u>	<u>0</u>	<u>79,224</u>	<u>104,857</u>
Restricted:					
Fire Station Improvement	0	0	0	6,184	6,184
Street Maintenance	0	0	0	108,675	108,675
State Highway Improvements	0	0	0	59,912	59,912
Library	0	0	0	9,717	9,717
County Recycling	0	0	0	68,397	68,397
CDBG Grant	0	0	0	133,389	133,389
Community Housing	0	0	0	14,086	14,086
DARE Grant	0	0	0	8,997	8,997
Home RLF	0	0	0	97,551	97,551
EMS Grant	0	0	0	1,551	1,551
Downtown Revitalization	0	0	0	138,549	138,549
DARE Trust	0	0	0	56,025	56,025
TIF East College Street	0	0	0	317,702	317,702
Indigent Alcohol Treatment	0	0	0	21,806	21,806
Indigent Interlock Monitor	0	0	0	60,286	60,286
Special Assessment Bond Retirement	0	0	0	275,490	275,490
Spring Street Park Improvement	0	0	0	11,377	11,377
Gasholder Renovation	0	0	0	18,897	18,897
Recreation Complex	0	0	0	18,066	18,066
Court Improvement/Computer	0	0	0	774,796	774,796
Clerk of Court Computer	0	0	0	185,830	185,830
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,387,283</u>	<u>2,387,283</u>
Committed:					
Capital Improvements	0	0	1,405,992	0	1,405,992
War Memorial	0	0	0	21,884	21,884
Utility Caring	0	0	0	49,105	49,105
Open Space	0	0	0	16,118	16,118
Subdivision	0	0	0	13,657	13,657
Parks	0	0	0	6,631	6,631
Equipment Replacement	0	0	0	409,761	409,761
Total Committed	<u>0</u>	<u>0</u>	<u>1,405,992</u>	<u>517,156</u>	<u>1,923,148</u>
Assigned:					
Purchase Orders	609,220	0	0	0	609,220
Debt Service	0	100,821	0	0	100,821
Unassigned	10,048,081	0	0	(129,180)	9,918,901
Total Fund Balances	<u>\$10,682,934</u>	<u>\$100,821</u>	<u>\$1,405,992</u>	<u>\$2,854,483</u>	<u>\$15,044,230</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015***

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

**A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any 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 \$16,961,882 and the bank balance was \$17,091,331. Federal depository insurance covered \$9,473,087 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>\$7,655,244</u>
Total Balance	<u><u>\$7,655,244</u></u>

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**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**B. Investments**

The City's investments at December 31, 2015 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$57,917	AAAm	\$57,917	\$0	\$0
FNMA	802,952	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	802,952	0
FFCB	1,997,020	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	0	1,997,020
FHLB	209,244	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	0	209,244
FHLMC	7,958,820	AAA <sup>1</sup> / Aaa <sup>2</sup>	0	3,989,540	3,969,280
Total Investments	<u>\$11,025,953</u>		<u>\$57,917</u>	<u>\$4,792,492</u>	<u>\$6,175,544</u>

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

<sup>2</sup> 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 AAAM<sup>1</sup> by Standard & Poor's.

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

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

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

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

	Cash and Cash Equivalents *	Investments
Per Financial Statements	\$3,973,178	\$24,014,657
Certificates of Deposit (with maturities of more than 3 months)	13,046,621	(13,046,621)
Investments:		
STAR Ohio	(57,917)	57,917
Per GASB Statement No. 3	<u>\$16,961,882</u>	<u>\$11,025,953</u>

\* Includes cash on hand.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2015 were levied after October 1, 2014 on assessed values as of January 1, 2014, 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.

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**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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**NOTE 6 - TAXES (Continued)**

**A. Property Taxes (Continued)**

The full tax rate for the City's operations for the year ended December 31, 2015 was \$14.49 per \$1,000 of assessed value. The assessed value upon which the 2015 receipts were based was \$114,208,480. This amount constitutes \$113,580,550 in real property assessed value and \$627,930 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 1.449% (14.49 mills) of assessed value.

**B. Income Tax**

The City levies a tax of 2.5% 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 2.5% of taxable salaries, wages, commissions and other compensation.

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

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2015 consisted of taxes, interest, accounts receivable, interfund loans, loans and intergovernmental receivables arising from shared revenues.

**NOTE 8 - INTERFUND BALANCES**

Individual interfund balances at December 31, 2015 that are expected to be paid within one year are as follows:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Funds:		
General Fund	\$691,784	\$0
DARE Grant Fund	0	1,950
Sidewalk Improvement Fund	0	60,795
Total Governmental Funds	691,784	62,745
Proprietary Funds:		
Refuse Fund	0	629,039
Totals	\$691,784	\$691,784

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**

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**NOTE 9 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2015:

Transfers In:	Transfers Out:						Total
	General Fund	Income Tax Fund	Other Governmental Funds	Internal Service Fund	Sewer Fund	Refuse Fund	
General Fund	\$0	\$0	\$500	\$0	\$0	\$0	\$500
G.O. Debt Service Fund	0	545,291	89,956	0	22,059	71,451	728,757
Other Governmental Funds	400,063	440,925	0	3,000	0	200,000	1,043,988
Total	<u>\$400,063</u>	<u>\$986,216</u>	<u>\$90,456</u>	<u>\$3,000</u>	<u>\$22,059</u>	<u>\$271,451</u>	<u>\$1,773,245</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.

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**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2015:

<i>Historical Cost:</i>					
Class	December 31, 2014	Transfers	Additions	Deletions	December 31, 2015
<i>Capital assets not being depreciated:</i>					
Land	\$2,224,323	\$0	\$0	\$0	\$2,224,323
Construction in Progress	2,095,478	0	508,779	(1,419,619)	1,184,638
Subtotal	<u>4,319,801</u>	<u>0</u>	<u>508,779</u>	<u>(1,419,619)</u>	<u>3,408,961</u>
<i>Capital assets being depreciated:</i>					
Buildings	13,359,209	0	0	0	13,359,209
Improvements Other than Buildings	581,424	0	241,228	0	822,652
Machinery and Equipment	7,135,055	(10,760)	242,286	(197,678)	7,168,903
Infrastructure	36,958,960	0	1,700,819	(1,824,442)	36,835,337
Subtotal	<u>58,034,648</u>	<u>(10,760)</u>	<u>2,184,333</u>	<u>(2,022,120)</u>	<u>58,186,101</u>
Total Cost	<u>\$62,354,449</u>	<u>(\$10,760)</u>	<u>\$2,693,112</u>	<u>(\$3,441,739)</u>	<u>\$61,595,062</u>
 <i>Accumulated Depreciation:</i>					
Class	December 31, 2014	Transfers	Additions	Deletions	December 31, 2015
Buildings	(\$3,129,820)	\$0	(\$337,265)	\$0	(\$3,467,085)
Improvements Other than Buildings	(143,631)	0	(25,926)	0	(169,557)
Machinery and Equipment	(5,074,934)	10,760	(529,885)	196,201	(5,397,858)
Infrastructure	(20,219,112)	0	(1,443,267)	1,415,001	(20,247,378)
Total Depreciation	<u>(\$28,567,497)</u>	<u>\$10,760</u>	<u>(\$2,336,343) *</u>	<u>\$1,611,202</u>	<u>(\$29,281,878)</u>
<i>Net Value:</i>	<u>\$33,786,952</u>				<u>\$32,313,184</u>

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

Security of Persons and Property	\$368,482
Public Health and Welfare Services	5,686
Leisure Time Activities	164,730
Community Development	3,237
Basic Utility Services	39,780
Transportation	1,550,299
General Government	<u>78,010</u>
Total Depreciation Expense recorded within the Governmental Activities	2,210,224
Amount of Depreciation Expense recorded in the Internal Service Fund	<u>126,119</u>
Total Depreciation Expense	<u>\$2,336,343</u>

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

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

Summary by Category at December 31, 2015:

<i>Historical Cost:</i>	Restated December 31, 2014	Transfers	Additions	Deletions	December 31, 2015
Class	2014	2014	2015	2015	2015
<i>Capital assets not being depreciated:</i>					
Land	\$720,548	\$0	\$0	\$0	\$720,548
Construction in Progress	1,228,535	0	1,638,628	0	2,867,163
Subtotal	<u>1,949,083</u>	<u>0</u>	<u>1,638,628</u>	<u>0</u>	<u>3,587,711</u>
<i>Capital assets being depreciated:</i>					
Buildings	7,081,072	0	52,019	0	7,133,091
Infrastructure	13,385,548	0	257,510	(169)	13,642,889
Improvements Other than Buildings	1,874,004	0	0	0	1,874,004
Machinery and Equipment	20,944,738	10,760	645,481	(276,877)	21,324,102
Subtotal	<u>43,285,362</u>	<u>10,760</u>	<u>955,010</u>	<u>(277,046)</u>	<u>43,974,086</u>
Total Cost	<u>\$45,234,445</u>	<u>\$10,760</u>	<u>\$2,593,638</u>	<u>(\$277,046)</u>	<u>\$47,561,797</u>
<i>Accumulated Depreciation:</i>					
Class	December 31, 2014	Transfers	Additions	Deletions	December 31, 2015
Buildings	(\$3,360,089)	\$0	(\$140,403)	\$0	(\$3,500,492)
Infrastructure	(2,850,019)	0	(165,978)	169	(3,015,828)
Improvements Other than Buildings	(387,542)	0	(92,260)	0	(479,802)
Machinery and Equipment	(14,698,511)	(10,760)	(1,012,354)	275,138	(15,446,487)
Total Depreciation	<u>(\$21,296,161)</u>	<u>(\$10,760)</u>	<u>(\$1,410,995)</u>	<u>\$275,307</u>	<u>(\$22,442,609)</u>
<i>Net Value:</i>	<u>\$23,938,284</u>				<u>\$25,119,188</u>

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## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **A. Net Pension Liability**

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

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

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

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

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

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

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

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**B. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)**

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

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

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

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**B. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)**

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

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

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

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

	<u>State and Local</u>
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$692,778 for 2015.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

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

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

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

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

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

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**C. Plan Description – Ohio Police & Fire Pension Fund (OPF) (Continued)**

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

	<u>Police</u>	<u>Firefighters</u>
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$332,293 for 2015.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,167,224	\$3,776,773	\$8,943,997
Proportion of the Net Pension Liability	0.042842%	0.0729048%	
Pension Expense	\$567,085	\$367,800	\$934,885

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$275,707	\$162,775	\$438,482
City contributions subsequent to the measurement date	<u>692,778</u>	<u>332,293</u>	<u>1,025,071</u>
Total Deferred Outflows of Resources	<u>\$968,485</u>	<u>\$495,068</u>	<u>\$1,463,553</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$90,778</u>	<u>\$0</u>	<u>\$90,778</u>

\$1,025,071 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Year Ending December 31:			
2016	\$27,042	\$40,694	\$67,736
2017	\$27,042	40,694	67,736
2018	\$61,920	40,694	102,614
2019	<u>\$68,925</u>	<u>40,693</u>	<u>109,618</u>
Total	<u>\$184,929</u>	<u>\$162,775</u>	<u>\$347,704</u>

**E. Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**E. Actuarial Assumptions – OPERS (Continued)**

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.28 %</b>

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**E. Actuarial Assumptions – OPERS (Continued)**

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$9,506,211	\$5,167,224	\$1,512,751

**F. Actuarial Assumptions – OPF**

OPF’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent



## **CITY OF OBERLIN, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **F. Actuarial Assumptions – OPF (Continued)**

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

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

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

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

**F. Actuarial Assumptions – OPF (Continued)**

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$5,223,848	\$3,776,773	\$2,551,540

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug coverage, deposits to a Health Reimbursement Arrangement, 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 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by 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 2015, local government employers contributed at a rate of 14.0% 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's contributions for health care to the OPERS for the years ending December 31, 2015, 2014, and 2013 were \$109,356, \$108,987 and \$215,469, respectively, which were equal to the required contributions for each year.

##### **B. Ohio Police and Fire Pension Fund (“OPF”)**

Plan Description – The City contributes to the OPF sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF 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.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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

##### **B. Ohio Police and Fire Pension Fund (“OPF”) (Continued)**

OPF 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 OPF is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

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

OPF 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 OPF’s website at [www.op-f.org](http://www.op-f.org).

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

OPF 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 2015, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions for health care to the OPF for the years ending December 31, 2015, 2014, and 2013 were \$8,300, \$7,578 and \$101,798, respectively, which were equal to the required contributions for each year.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 13 – COMPENSATED ABSENCES**

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

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

At December 31, 2015, the City's accumulated, unpaid compensated absences amounted to \$1,246,710, of which \$869,005 is recorded as a liability of the Governmental Activities and \$377,705 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, 2015

#### NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2015 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Restated Balance December 31, 2014	Additions	(Reductions)	Balance December 31, 2015	Amount Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
1973	5.500%	OWDA - Project #1207	2015	\$32,595	\$0	(\$32,595)	\$0	\$0
1990	7.770%	OWDA - Project #1807	2016	188,424	0	(124,055)	64,369	64,369
2008	2.000%	OWDA - Project #4875	2029	3,817,962	0	(220,616)	3,597,346	225,050
Total Ohio Water Development Authority Loans				4,038,981	0	(377,266)	3,661,715	289,419
Payable to Joint Venture				158,223	0	(64,814)	93,409	0
Compensated Absences				345,686	377,705	(345,686)	377,705	150,848
Net Pension Liability - OPERS				2,171,721	55,075	0	2,226,796	0
Total Business-Type Long-Term Debt				<u>\$6,714,611</u>	<u>\$432,780</u>	<u>(\$787,766)</u>	<u>\$6,359,625</u>	<u>\$440,267</u>
Governmental Activities:								
General Obligation Bonds:								
2007	6.000%	Municipal Service Center	2027	3,125,000	0	(3,125,000)	0	0
2015	3.000%	Municipal Service Center Premium	2027	0	3,250,000	(260,000)	2,990,000	215,000
				0	64,833	(4,987)	59,846	0
2010	2.000%	Improvement Bonds	2030	4,380,000	0	(290,000)	4,090,000	235,000
Total General Obligation Bonds				7,505,000	3,314,833	(3,679,987)	7,139,846	450,000
Ohio Public Works Commission Loans:								
2006	0.000%	East Hamilton Road	2017	8,384	0	(2,793)	5,591	2,793
2006	0.000%	North Professor Street	2021	12,812	0	(1,970)	10,842	1,970
2010	0.000%	North Pleasant/Walnut Street	2029	221,205	0	(15,256)	205,949	15,256
2011	0.000%	North Professor, Union Street	2027	139,200	0	(11,600)	127,600	11,600
2013	0.000%	South Professor Street	2034	188,237	0	(9,907)	178,330	9,907
Total Ohio Public Commission Loans				569,838	0	(41,526)	528,312	41,526
Compensated Absences				885,261	869,005	(885,261)	869,005	293,713
Net Pension Liability - OPERS				2,790,489	149,939	0	2,940,428	0
Net Pension Liability - OPF				3,638,997	137,776	0	3,776,773	0
Total Governmental Activities Long-Term Debt				<u>\$15,389,585</u>	<u>\$4,471,553</u>	<u>(\$4,606,774)</u>	<u>\$15,254,364</u>	<u>\$785,239</u>

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**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015***

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**NOTE 14 - 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, 2015 follows:

Years	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$450,000	\$201,712	\$289,419	\$75,815	\$41,526	\$0
2017	455,000	188,412	229,574	66,304	41,530	0
2018	465,000	175,500	234,188	61,689	38,733	0
2019	435,000	164,550	238,896	56,982	38,735	0
2020	485,000	155,174	243,697	52,180	38,735	0
2021-2025	2,650,000	564,350	1,293,960	185,428	184,805	0
2026-2030	2,140,000	190,552	1,131,981	51,531	122,143	0
2031-2034	0	0	0	0	22,105	0
Totals	<u>\$7,080,000</u>	<u>\$1,640,250</u>	<u>\$3,661,715</u>	<u>\$549,929</u>	<u>\$528,312</u>	<u>\$0</u>

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**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015***

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**NOTE 15 - CONSTRUCTION COMMITMENTS**

As of December 31, 2015 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>
Green Acres Demolition	\$17,966	2016
Elm & Vine Street Improvements	14,901	2016
S.Park/Lincoln Improvement	7,210	2016
WEPF Tertiary filter	38,725	2016
WEPF Tertiary filter	8,000	2016
Water distribution model update	9,412	2016
Reserve Avenue drainage	4,001	2016
Route 58/ Route 511 intersection	68,947	2016
Refuse/Recycling building replacement	5,700	2016
Refuse/Recycling building replacement	2,900	2016
Refuse/Recycling building replacement	47,286	2016
Refuse/Recycling building replacement	16,795	2016
Refuse/Recycling building replacement	15,339	2016
Wastewater painting	3,720	2016
S.Professor Pave Imp Phase II	11,737	2016
S.Professor Pave Imp Phase II	151,956	2016
2015 Sidewalk Prog Concrete Replace	89,016	2016
2015 Sidewalk Prog Concrete Replace	1,273	2016
2015 Sidewalk Prog Concrete Replace	8,000	2016
Audio Visual Upgrade Council/Court	129,092	2016
Total	<u>\$651,976</u>	



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 16 - 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 17 - CONTINGENCIES**

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 18 - 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 \$20,084 at December 31, 2015. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the City's Finance Director.

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 18 - 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, 2015 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, 2015, the outstanding debt was \$8,052,470. The City's net obligation for this amount at December 31, 2015 was \$93,409. 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 \$150,561 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015**

**NOTE 18 - 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, 2015 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	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

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

	Years	Principal	Interest	Total Debt Service
2016		45,083	1,211	46,294
2017		47,966	681	48,647
Total Gross Liability		<u>93,049</u>	<u>1,892</u>	<u>94,941</u>
Net Obligation		<u>\$93,049</u>		

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 18 - 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, 2015 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 18 - 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

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 \$90,234 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2015***

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#### **NOTE 18 - 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, 2015 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. On August 15, 2015 the remaining balance was paid on the OMEGA JV6 Bonds. The City's net obligation for these bonds at December 31, 2015 was \$0 (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 \$199,794 at December 31, 2015. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015***

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**NOTE 18 - 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, 2015 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>



*CITY OF OBERLIN, OHIO*

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*REQUIRED SUPPLEMENTAL INFORMATION*

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## **CITY OF OBERLIN, OHIO**

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

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

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability	0.042842%	0.042842%
City's proportionate share of the net pension liability	\$5,050,514	\$5,167,224
City's covered-employee payroll	\$5,801,092	\$5,294,200
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.06%	97.60%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%

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

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

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability	0.0729048%	0.0729048%
City's proportionate share of the net pension liability	\$3,550,692	\$3,776,773
City's covered-employee payroll	\$1,818,004	\$1,495,555
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195.31%	252.53%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%

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

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

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

**CITY OF OBERLIN, OHIO**

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***Schedule of City Contributions  
Last Three Years***

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**Ohio Public Employees Retirement System**

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$754,142	\$635,304	\$692,778
Contributions in relation to the contractually required contribution	<u>754,142</u>	<u>635,304</u>	<u>692,778</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,801,092	\$5,294,200	\$5,773,150
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%

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

**Ohio Police and Fire Pension Fund**

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$310,515	\$304,495	\$332,293
Contributions in relation to the contractually required contribution	<u>310,515</u>	<u>304,495</u>	<u>332,293</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$1,818,004	\$1,495,555	\$1,654,022
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%

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

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

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

To the Members of City Council  
City of Oberlin  
Oberlin, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2016, As described in Note 2 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68, and rested it net position at December 31, 2014 for governmental activities and business-type activities. Also, the City restated its December 31, 2014 net position for governmental and business-type activities due to an accounts receivable error and net position for business-type activities due an error in reporting of construction in progress in the sewer fund. Our opinion is not modified with respect to these matters.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Oberlin, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we considered a significant deficiency as item **2015-001**.

### ***Compliance and Other Matters***

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

### **Response to Finding**

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

### ***Purpose of This Report***

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



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

June 13, 2016

**CITY OF OBERLIN  
LORAIN COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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**Finding 2015-001 - Significant Deficiency - Internal Controls Over Financial Reporting**

Condition/Criteria

Financial reporting is the responsibility of the City's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, management identified the following errors in the financial statements, which resulted in a restatement of the beginning net position of the financial statements:

1. A payment during the available period was not reported in the construction-in-progress in the Sewer Fund.
2. Insurance reimbursement was recorded as an account receivable in the Garage Fund instead of the Refuse Fund.

Cause/Effect

The above errors resulted in a prior period adjustment to the funds as noted above. Errors and irregularities may go undetected without additional controls and may decrease the reliability of financial data at year-end.

Recommendation

We recommend that the City implement additional controls and procedures related to financial reporting that enables management to identify, prevent, detect, and correct potential mis-statements in the financial statements and footnotes.

City's Response

The City has reviewed the matter with internal staff and GAAP consultant.

**CITY OF OBERLIN  
LORAIN COUNTY, OHIO  
STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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The prior audit report, as of December 31, 2014, included no citations or instances of noncompliance. Management letter recommendations have been corrected or procedures instituted to prevent occurrences in this audit period.

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# 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  
SEPTEMBER 6, 2016