



Dave Yost • Auditor of State

CITY OF OBERLIN
LORAIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole. The Federal Awards Expenditures Schedule presents additional analysis and is not a required part of the basic financial statements.

The Federal Awards Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

July 19, 2013

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CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2012***

Unaudited

The discussion and analysis of the City of Oberlin's ("the City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2012. 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 2012 are as follows:

- ❑ In total, net position increased \$746,298. Net position of governmental activities increased \$90,642 from 2011. Net position of business-type activities increased \$655,656 from 2011.
- ❑ General revenues accounted for \$9.6 million in revenue or 36% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 64% of total revenues of \$26.7 million.
- ❑ The City had \$11.8 million in expenses related to governmental activities; only \$2.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$9.6 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$7.8 million in revenues and \$7.4 million in expenditures. The general fund's fund balance, including transfers, increased \$171,427 to \$10,275,925.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF OBERLIN, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2012*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2012**

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 2012 and 2011:

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$14,962,444 | \$14,694,162 | \$20,559,070 | \$19,952,378 | \$35,521,514 | \$34,646,540 |
| Capital assets, Net | 34,708,093 | 35,399,530 | 20,485,956 | 20,918,187 | 55,194,049 | 56,317,717 |
| Total assets | <u>49,670,537</u> | <u>50,093,692</u> | <u>41,045,026</u> | <u>40,870,565</u> | <u>90,715,563</u> | <u>90,964,257</u> |
| Long-term debt outstanding | 9,774,261 | 10,302,995 | 5,531,316 | 6,234,108 | 15,305,577 | 16,537,103 |
| Other liabilities | 639,563 | 1,530,617 | 640,577 | 741,133 | 1,280,140 | 2,271,750 |
| Total liabilities | <u>10,413,824</u> | <u>11,833,612</u> | <u>6,171,893</u> | <u>6,975,241</u> | <u>16,585,717</u> | <u>18,808,853</u> |
| Property Tax Levy for Next Fiscal Year | <u>905,991</u> | <u>0</u> | <u>322,153</u> | <u>0</u> | <u>1,228,144</u> | <u>0</u> |
| Net position | | | | | | |
| Net Investment in Capital Assets | 25,767,782 | 25,958,680 | 15,618,903 | 15,434,298 | 41,386,685 | 41,392,978 |
| Restricted | 2,460,835 | 4,233,553 | 0 | 0 | 2,460,835 | 4,233,553 |
| Unrestricted | 10,122,105 | 8,067,847 | 18,932,077 | 18,461,026 | 29,054,182 | 26,528,873 |
| Total net position | <u><u>\$38,350,722</u></u> | <u><u>\$38,260,080</u></u> | <u><u>\$34,550,980</u></u> | <u><u>\$33,895,324</u></u> | <u><u>\$72,901,702</u></u> | <u><u>\$72,155,404</u></u> |

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CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2012**

Unaudited

Changes in Net position – The following table shows the changes in net position for the fiscal year 2012 and 2011:

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for Services and Sales | \$1,638,607 | \$1,708,401 | \$14,689,366 | \$15,319,274 | \$16,327,973 | \$17,027,675 |
| Operating Grants and Contributions | 247,901 | 252,277 | 0 | 0 | 247,901 | 252,277 |
| Capital Grants and Contributions | 441,102 | 454,501 | 59,621 | 9,510 | 500,723 | 464,011 |
| General revenues: | | | | | | |
| Property Taxes | 812,959 | 757,987 | 358,381 | 303,991 | 1,171,340 | 1,061,978 |
| Municipal Income Taxes | 5,725,697 | 5,211,051 | 0 | 0 | 5,725,697 | 5,211,051 |
| Shared Revenues | 1,609,551 | 1,560,489 | 2,016 | 38,177 | 1,611,567 | 1,598,666 |
| Investment Earnings | 163,165 | 214,343 | 1,919 | 163 | 165,084 | 214,506 |
| Miscellaneous | 981,215 | 979,632 | 0 | 0 | 981,215 | 979,632 |
| Total revenues | 11,620,197 | 11,138,681 | 15,111,303 | 15,671,115 | 26,731,500 | 26,809,796 |
| Program Expenses | | | | | | |
| Security of Persons and Property | 3,691,708 | 2,895,540 | 0 | 0 | 3,691,708 | 2,895,540 |
| Public Health and Welfare Services | 129,608 | 141,088 | 0 | 0 | 129,608 | 141,088 |
| Leisure Time Activities | 789,639 | 745,485 | 0 | 0 | 789,639 | 745,485 |
| Community Environment | 699,176 | 452,737 | 0 | 0 | 699,176 | 452,737 |
| Basic Utility Services | 267,084 | 237,136 | 0 | 0 | 267,084 | 237,136 |
| Transportation | 2,401,564 | 2,451,288 | 0 | 0 | 2,401,564 | 2,451,288 |
| General Government | 3,524,832 | 3,259,595 | 0 | 0 | 3,524,832 | 3,259,595 |
| Interest and Fiscal Charges | 322,657 | 370,150 | 0 | 0 | 322,657 | 370,150 |
| Cable | 0 | 0 | 4,202 | 0 | 4,202 | 0 |
| Water | 0 | 0 | 1,841,386 | 1,755,180 | 1,841,386 | 1,755,180 |
| Sewer | 0 | 0 | 1,529,548 | 1,536,733 | 1,529,548 | 1,536,733 |
| Refuse | 0 | 0 | 682,747 | 649,415 | 682,747 | 649,415 |
| Electric | 0 | 0 | 10,101,051 | 10,690,181 | 10,101,051 | 10,690,181 |
| Total expenses | 11,826,268 | 10,553,019 | 14,158,934 | 14,631,509 | 25,985,202 | 25,184,528 |
| Excess (deficiency) before Transfers | (206,071) | 585,662 | 952,369 | 1,039,606 | 746,298 | 1,625,268 |
| Transfers In (Out) | 296,713 | 212,604 | (296,713) | (212,604) | 0 | 0 |
| Total Change in Net Position | 90,642 | 798,266 | 655,656 | 827,002 | 746,298 | 1,625,268 |
| Beginning Net Position | 38,260,080 | 37,461,814 | 33,895,324 | 33,068,322 | 72,155,404 | 70,530,136 |
| Ending Net Position | \$38,350,722 | \$38,260,080 | \$34,550,980 | \$33,895,324 | \$72,901,702 | \$72,155,404 |

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2012**

Unaudited

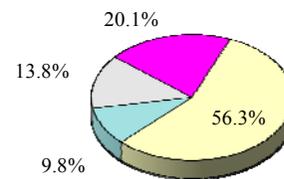
Governmental Activities

Net position of the City's governmental activities had a modest increase of \$90,642. Much of this increase can be attributed to the fact that income tax collections were up in 2012 compared to 2011 on both a cash basis and an accrual basis. This was offset by the fact that fewer items were capitalized by the City during 2012 compared to 2011 as these items did not meet the City's capitalization threshold of \$2,000 for capital assets and \$10,000 for infrastructure assets. When an item is capitalized, it is expensed over its useful life rather than in its entirety during the current year. A contributing factor to the increase in overall expenditures was the increase in depreciation expense from 2011 to 2012. Overall, revenues increased by 4.3% compared to 2011, and expenditures increased by 12.1% compared to 2011, mainly due to depreciation and capital expenditures.

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

Property taxes and income taxes made up 6.9% and 49.2%, respectively, of revenues for governmental activities for the City in fiscal year 2012. The City's reliance upon tax revenues is demonstrated by the following graph indicating 56.3% of total revenues from general tax revenues:

| Revenue Sources | 2012 | Percent of Total |
|-------------------------|---------------------|---------------------|
| General Shared Revenues | \$1,609,551 | 13.8% |
| Program Revenues | 2,327,610 | 20.1% |
| General Tax Revenues | 6,538,656 | 56.3% |
| General Other | 1,144,380 | 9.8% |
| Total Revenue | <u>\$11,620,197</u> | <u>100.00%</u> |



Business-Type Activities

Net position of the business-type activities increased by \$655,656. During 2012 expenses in the business-type activities decreased by 3.2% however, this decrease was accompanied by a decrease in revenues of 3.5%, causing the overall increase in net position in 2012 to be less than that in 2011. The City also made capital improvements in all enterprise operations and obtained new infrastructure for continued development in the City in 2012 compared to 2011. 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, 2012*

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$14,088,096, which is an increase from last year's balance of \$14,010,600. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2012 and 2011:

| | Fund Balance December 31, 2012 | Restated Fund Balance December 31, 2011 | Increase (Decrease) |
|--------------------|-----------------------------------|---|------------------------|
| General | \$10,275,925 | \$10,104,498 | \$171,427 |
| Income Tax | 1,287,028 | 1,556,123 | (269,095) |
| Other Governmental | 2,525,143 | 2,349,979 | 175,164 |
| Total | \$14,088,096 | \$14,010,600 | \$77,496 |

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:

| | 2012 Revenues | 2011 Revenues | Increase (Decrease) |
|---------------------------|------------------|------------------|------------------------|
| Taxes | \$4,351,092 | \$3,806,013 | \$545,079 |
| Intergovernmental Revenue | 1,248,809 | 1,718,462 | (469,653) |
| Charges for Services | 129,560 | 138,537 | (8,977) |
| Licenses and Permits | 269,373 | 262,725 | 6,648 |
| Fines and Forfeitures | 803,466 | 814,594 | (11,128) |
| Investment Earnings | 179,210 | 255,000 | (75,790) |
| Special Assessments | 2,135 | 2,583 | (448) |
| All Other Revenue | 863,497 | 822,670 | 40,827 |
| Total | \$7,847,142 | \$7,820,584 | \$26,558 |

General Fund revenues in 2012 increased by \$26,558 or less than 1% compared to revenues in fiscal year 2011.

| | 2012 Expenditures | 2011 Expenditures | Increase (Decrease) |
|------------------------------------|----------------------|----------------------|------------------------|
| Security of Persons and Property | \$2,961,591 | \$3,058,182 | (\$96,591) |
| Public Health and Welfare Services | 105,137 | 123,175 | (18,038) |
| Leisure Time Activities | 651,975 | 652,160 | (185) |
| Community Environment | 350,453 | 366,105 | (15,652) |
| Transportation | 196,346 | 179,613 | 16,733 |
| General Government | 3,121,769 | 3,169,161 | (47,392) |
| Total | \$7,387,271 | \$7,548,396 | (\$161,125) |

General Fund expenditures decreased by \$161,125 compared to the prior year mostly due to overall reductions in operating and capital expenditures.

For the Income Tax Fund, the fund balance decrease of \$269,095 is related to additional capital expenditures.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2012***

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 2012, the City amended its General Fund budget several times, to adjust for various budgetary needs.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2012, the City had \$55,194,049 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$34,708,093 was related to governmental activities and \$20,485,956 to the business-type activities. The following table shows fiscal year 2012 and 2011 balances:

| | Governmental Activities | | Increase (Decrease) |
|-----------------------------------|----------------------------|---------------------|------------------------|
| | 2012 | 2011 | |
| Land | \$2,224,323 | \$2,224,323 | \$0 |
| Construction in Progress | 1,503,426 | 1,436,462 | 66,964 |
| Buildings | 13,190,328 | 13,171,258 | 19,070 |
| Improvements Other Than Buildings | 557,914 | 487,101 | 70,813 |
| Machinery and Equipment | 6,808,714 | 6,595,192 | 213,522 |
| Infrastructure | 35,748,017 | 35,032,930 | 715,087 |
| Less: Accumulated Depreciation | (25,324,629) | (23,547,736) | (1,776,893) |
| Totals | <u>\$34,708,093</u> | <u>\$35,399,530</u> | <u>(\$691,437)</u> |

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2012**

Unaudited

| | Business-Type Activities | | Increase (Decrease) |
|-----------------------------------|-----------------------------|---------------------|------------------------|
| | 2012 | 2011 | |
| Land | \$1,099,045 | \$1,099,045 | \$0 |
| Construction in Progress | 427,519 | 133,269 | 294,250 |
| Buildings | 6,826,387 | 6,728,298 | 98,089 |
| Infrastructure | 11,522,728 | 11,384,456 | 138,272 |
| Improvements Other Than Buildings | 1,073,762 | 1,063,299 | 10,463 |
| Machinery and Equipment | 19,478,383 | 19,261,701 | 216,682 |
| Less: Accumulated Depreciation | (19,941,868) | (18,751,881) | (1,189,987) |
| Totals | <u>\$20,485,956</u> | <u>\$20,918,187</u> | <u>(\$432,231)</u> |

The business-type activities experienced no significant overall change. The decrease in governmental activities was due primarily to depreciation expense. Additional information on the City's capital assets can be found in Note 11.

Debt

At December 31, 2012, the City had \$8.5 million in bonds outstanding, with \$483,922 being due within one year. The following table summarizes the City's long-term obligations outstanding as of December 31, 2012 and 2011:

| | 2012 | 2011 |
|--------------------------------|---------------------|---------------------|
| Governmental Activities: | | |
| General Obligation Bonds | \$8,487,841 | \$8,956,763 |
| OPWC Loans Payable | 452,467 | 484,086 |
| Compensated Absences | 833,953 | 862,146 |
| Total Governmental Activities | <u>9,774,261</u> | <u>10,302,995</u> |
| Business-Type Activities: | | |
| OWDA Loans Payable | \$4,867,053 | \$5,483,889 |
| Payable to Joint Venture | 321,951 | 398,618 |
| Compensated Absences | 342,312 | 351,601 |
| Total Business-Type Activities | <u>5,531,316</u> | <u>6,234,108</u> |
| Totals | <u>\$15,305,577</u> | <u>\$16,537,103</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, 2012, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 15.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2012***

Unaudited

ECONOMIC FACTORS

The City's original budget for 2012 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 11% less than the actual receipts for 2011. This was due to anticipated lower revenue from local government funds, estate taxes, interest revenues, and conservative based budgeting for income tax collections.

General Fund expenditures were originally budgeted at .71% less than 2011 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. City Council continues to maintain the fiscal stability of the City by utilizing a conservative approach towards budgeting and keeping a close watch on economic conditions.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-775-7212 or writing to City of Oberlin Finance Department, 69 South Main Street, Oberlin, Ohio 44074.

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CITY OF OBERLIN, OHIO

Statement of Net Position
December 31, 2012

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 2,430,144 | \$ 1,622,956 | \$ 4,053,100 |
| Investments | 10,534,526 | 14,600,413 | 25,134,939 |
| Receivables: | | | |
| Taxes | 2,357,127 | 338,566 | 2,695,693 |
| Accounts | 90,000 | 1,124,806 | 1,214,806 |
| Intergovernmental | 569,123 | 18,616 | 587,739 |
| Interest | 61,349 | 0 | 61,349 |
| Loans | 403,659 | 0 | 403,659 |
| Internal Balances | (1,572,300) | 1,572,300 | 0 |
| Inventory of Supplies at Cost | 61,369 | 408,250 | 469,619 |
| Prepaid Items | 27,447 | 20,533 | 47,980 |
| Capital Assets: | | | |
| Capital Assets Not Being Depreciated | 3,727,749 | 1,526,564 | 5,254,313 |
| Capital Assets Being Depreciated, Net | 30,980,344 | 18,959,392 | 49,939,736 |
| Investment in Joint Venture | 0 | 852,630 | 852,630 |
| Total Assets | 49,670,537 | 41,045,026 | 90,715,563 |
| Liabilities: | | | |
| Accounts Payable | 142,404 | 258,290 | 400,694 |
| Accrued Wages and Benefits | 302,593 | 138,982 | 441,575 |
| Due to Others | 131,988 | 0 | 131,988 |
| Unearned Revenue | 0 | 243,305 | 243,305 |
| Accrued Interest Payable | 62,578 | 0 | 62,578 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 849,503 | 411,969 | 1,261,472 |
| Due in More Than One Year | 8,924,758 | 5,119,347 | 14,044,105 |
| Total Liabilities | 10,413,824 | 6,171,893 | 16,585,717 |
| Deferred Inflows of Resources: | | | |
| Property Tax Levy for Next Fiscal Year | 905,991 | 322,153 | 1,228,144 |
| Net Position: | | | |
| Net Investment in Capital Assets | 25,767,782 | 15,618,903 | 41,386,685 |
| Restricted For: | | | |
| Capital Projects | 958,744 | 0 | 958,744 |
| Debt Service | 212,912 | 0 | 212,912 |
| Other Purposes | 1,289,179 | 0 | 1,289,179 |
| Unrestricted | 10,122,105 | 18,932,077 | 29,054,182 |
| Total Net Position | \$ 38,350,722 | \$ 34,550,980 | \$ 72,901,702 |

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Statement of Activities
For the Year Ended December 31, 2012

| | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Current: | | | | |
| Security of Persons and Property | \$ 3,691,708 | \$ 59,611 | \$ 2,348 | \$ 30,000 |
| Public Health and Welfare Services | 129,608 | 37,497 | 0 | 0 |
| Leisure Time Activities | 789,639 | 37,745 | 0 | 0 |
| Community Environment | 699,176 | 232,844 | 0 | 0 |
| Basic Utility Services | 267,084 | 10 | 0 | 0 |
| Transportation | 2,401,564 | 1,404 | 245,553 | 411,102 |
| General Government | 3,524,832 | 1,269,496 | 0 | 0 |
| Interest and Fiscal Charges | 322,657 | 0 | 0 | 0 |
| Total Governmental Activities | 11,826,268 | 1,638,607 | 247,901 | 441,102 |
| Business-Type Activities: | | | | |
| Cable | 4,202 | 15,724 | 0 | 0 |
| Water | 1,841,386 | 1,949,043 | 0 | 59,621 |
| Sewer | 1,529,548 | 1,673,258 | 0 | 0 |
| Refuse | 682,747 | 545,270 | 0 | 0 |
| Electric | 10,101,051 | 10,506,071 | 0 | 0 |
| Total Business-Type Activities | 14,158,934 | 14,689,366 | 0 | 59,621 |
| Totals | \$ 25,985,202 | \$ 16,327,973 | \$ 247,901 | \$ 500,723 |

General Revenues

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

Change in Net Position

Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

| Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------------------|----------------|
| Governmental Activities | Business- Type Activities | Total |
| \$ (3,599,749) | \$ 0 | \$ (3,599,749) |
| (92,111) | 0 | (92,111) |
| (751,894) | 0 | (751,894) |
| (466,332) | 0 | (466,332) |
| (267,074) | 0 | (267,074) |
| (1,743,505) | 0 | (1,743,505) |
| (2,255,336) | 0 | (2,255,336) |
| (322,657) | 0 | (322,657) |
| (9,498,658) | 0 | (9,498,658) |
| 0 | 11,522 | 11,522 |
| 0 | 167,278 | 167,278 |
| 0 | 143,710 | 143,710 |
| 0 | (137,477) | (137,477) |
| 0 | 405,020 | 405,020 |
| 0 | 590,053 | 590,053 |
| (9,498,658) | 590,053 | (8,908,605) |
| 812,959 | 358,381 | 1,171,340 |
| 5,725,697 | 0 | 5,725,697 |
| 1,609,551 | 2,016 | 1,611,567 |
| 163,165 | 1,919 | 165,084 |
| 981,215 | 0 | 981,215 |
| 296,713 | (296,713) | 0 |
| 9,589,300 | 65,603 | 9,654,903 |
| 90,642 | 655,656 | 746,298 |
| 38,260,080 | 33,895,324 | 72,155,404 |
| \$ 38,350,722 | \$ 34,550,980 | \$ 72,901,702 |

CITY OF OBERLIN, OHIO

**Balance Sheet
Governmental Funds
December 31, 2012**

| | General | Income Tax | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 275,964 | \$ 31,293 | \$ 2,034,924 | \$ 2,342,181 |
| Investments | 8,828,446 | 1,001,089 | 704,991 | 10,534,526 |
| Receivables: | | | | |
| Taxes | 1,549,067 | 339,673 | 468,387 | 2,357,127 |
| Accounts | 90,000 | 0 | 0 | 90,000 |
| Intergovernmental | 186,361 | 0 | 382,762 | 569,123 |
| Interest | 61,349 | 0 | 0 | 61,349 |
| Loans | 0 | 0 | 403,659 | 403,659 |
| Interfund Loans Receivables | 235,123 | 0 | 0 | 235,123 |
| Inventory of Supplies, at Cost | 5,299 | 0 | 56,070 | 61,369 |
| Prepaid Items | 27,447 | 0 | 0 | 27,447 |
| Total Assets | \$ 11,259,056 | \$ 1,372,055 | \$ 4,050,793 | \$ 16,681,904 |
| Liabilities: | | | | |
| Accounts Payable | 31,213 | 85,027 | 25,574 | 141,814 |
| Accrued Wages and Benefits Payable | 190,203 | 0 | 106,245 | 296,448 |
| Due to Others | 0 | 0 | 131,988 | 131,988 |
| Interfund Loans Payable | 0 | 0 | 235,123 | 235,123 |
| Compensated Absences Payable | 32,548 | 0 | 0 | 32,548 |
| Total Liabilities | 253,964 | 85,027 | 498,930 | 837,921 |
| Deferred Inflows of Resources: | | | | |
| Unavailable Amounts | 277,651 | 0 | 572,245 | 849,896 |
| Property Tax for Next Fiscal Year | 451,516 | 0 | 454,475 | 905,991 |
| Total Deferred Inflows of Resources | 729,167 | 0 | 1,026,720 | 1,755,887 |
| Fund Balances: | | | | |
| Nonspendable | 32,746 | 0 | 83,329 | 116,075 |
| Restricted | 0 | 0 | 2,062,006 | 2,062,006 |
| Committed | 0 | 1,287,028 | 448,743 | 1,735,771 |
| Assigned | 1,161,712 | 0 | 87,708 | 1,249,420 |
| Unassigned | 9,081,467 | 0 | (156,643) | 8,924,824 |
| Total Fund Balances | 10,275,925 | 1,287,028 | 2,525,143 | 14,088,096 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 11,259,056 | \$ 1,372,055 | \$ 4,050,793 | \$ 16,681,904 |

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2012***

| | |
|---|-----------------------------|
| Total Governmental Fund Balances | \$ 14,088,096 |
| <i>Amounts reported for governmental activities in the statement of net position are different because</i> | |
| Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. | 30,336,476 |
| Other long-term assets are not available to pay for current- period expenditures and therefore are unavailable revenues in the funds. | 849,896 |
| 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. | 2,866,128 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (9,789,874) |
| <i>Net Position of Governmental Funds</i> | <u><u>\$ 38,350,722</u></u> |

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2012

| | General | Income Tax | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 497,114 | \$ 0 | \$ 300,635 | \$ 797,749 |
| Municipal Income Tax | 3,853,978 | 1,871,379 | 340 | 5,725,697 |
| Intergovernmental Revenues | 1,248,809 | 0 | 980,576 | 2,229,385 |
| Charges for Services | 129,560 | 0 | 1,124 | 130,684 |
| Licenses and Permits | 269,373 | 0 | 0 | 269,373 |
| Investment Earnings | 179,210 | 0 | 2,691 | 181,901 |
| Special Assessments | 2,135 | 0 | 946 | 3,081 |
| Fines and Forfeitures | 803,466 | 0 | 192,440 | 995,906 |
| All Other Revenue | 863,497 | 82,764 | 316,521 | 1,262,782 |
| Total Revenues | 7,847,142 | 1,954,143 | 1,795,273 | 11,596,558 |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 2,961,591 | 0 | 315,340 | 3,276,931 |
| Public Health and Welfare Services | 105,137 | 0 | 2,512 | 107,649 |
| Leisure Time Activities | 651,975 | 0 | 10 | 651,985 |
| Community Environment | 350,453 | 0 | 351,954 | 702,407 |
| Basic Utility Services | 0 | 0 | 247,611 | 247,611 |
| Transportation | 196,346 | 0 | 549,859 | 746,205 |
| General Government | 3,121,769 | 0 | 67,756 | 3,189,525 |
| Capital Outlay | 0 | 1,452,658 | 615,175 | 2,067,833 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 2,793 | 497,748 | 500,541 |
| Interest & Fiscal Charges | 0 | 0 | 326,337 | 326,337 |
| Total Expenditures | 7,387,271 | 1,455,451 | 2,974,302 | 11,817,024 |
| Excess (Deficiency) of Revenues Over Expenditures | | | | |
| | 459,871 | 498,692 | (1,179,029) | (220,466) |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | 1,283 | 0 | 0 | 1,283 |
| Transfers In | 500 | 0 | 1,445,656 | 1,446,156 |
| Transfers Out | (290,000) | (767,787) | (88,656) | (1,146,443) |
| Total Other Financing Sources (Uses) | (288,217) | (767,787) | 1,357,000 | 300,996 |
| Net Change in Fund Balances | 171,654 | (269,095) | 177,971 | 80,530 |
| Fund Balances at Beginning of Year | 10,104,498 | 1,556,123 | 2,349,979 | 14,010,600 |
| Decrease in Inventory Reserve | (227) | 0 | (2,807) | (3,034) |
| Fund Balances at End of Year | \$ 10,275,925 | \$ 1,287,028 | \$ 2,525,143 | \$ 14,088,096 |

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2012***

Net Change in Fund Balances - Total Governmental Funds \$ 80,530

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. (525,285)

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. (22,704)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 22,354

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 500,541

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,680

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 57,809

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (26,283)

Change in Net Position of Governmental Activities \$ 90,642

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, 2012**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| Revenues: | | | | |
| Property Taxes | \$ 507,280 | \$ 507,280 | \$ 497,114 | \$ (10,166) |
| Municipal Income Tax | 3,594,000 | 3,594,000 | 3,687,634 | 93,634 |
| Intergovernmental Revenue | 962,237 | 1,042,237 | 1,091,589 | 49,352 |
| Charges for Services | 93,000 | 93,000 | 129,560 | 36,560 |
| Licenses and Permits | 200,500 | 223,000 | 270,476 | 47,476 |
| Investment Earnings | 166,417 | 166,417 | 180,217 | 13,800 |
| Special Assessments | 1,200 | 1,200 | 2,135 | 935 |
| Fines and Forfeitures | 790,000 | 790,000 | 809,953 | 19,953 |
| All Other Revenues | 793,979 | 793,979 | 795,114 | 1,135 |
| Total Revenues | <u>7,108,613</u> | <u>7,211,113</u> | <u>7,463,792</u> | <u>252,679</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 3,166,582 | 3,151,466 | 2,994,218 | 157,248 |
| Public Health and Welfare Services | 111,111 | 111,232 | 105,750 | 5,482 |
| Leisure Time Activities | 632,346 | 670,648 | 645,528 | 25,120 |
| Community Environment | 420,333 | 420,334 | 364,848 | 55,486 |
| Transportation | 190,039 | 197,749 | 196,346 | 1,403 |
| General Government | 3,360,077 | 3,417,884 | 3,161,521 | 256,363 |
| Total Expenditures | <u>7,880,488</u> | <u>7,969,313</u> | <u>7,468,211</u> | <u>501,102</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (771,875) | (758,200) | (4,419) | 753,781 |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | 0 | 0 | 1,283 | 1,283 |
| Transfers In | 200,500 | 500 | 500 | 0 |
| Transfers Out | (290,000) | (290,000) | (290,000) | 0 |
| Advances In | 287,243 | 287,243 | 287,243 | 0 |
| Advances Out | (200,000) | (235,200) | (235,123) | 77 |
| Total Other Financing Sources (Uses): | <u>(2,257)</u> | <u>(237,457)</u> | <u>(236,097)</u> | <u>1,360</u> |
| Net Change In Fund Balance | (774,132) | (995,657) | (240,516) | 755,141 |
| Fund Balance at Beginning of Year | 8,908,987 | 8,908,987 | 8,908,987 | 0 |
| Prior Year Encumbrances | 182,548 | 182,548 | 182,548 | 0 |
| Fund Balance at End of Year | <u>\$ 8,317,403</u> | <u>\$ 8,095,878</u> | <u>\$ 8,851,019</u> | <u>\$ 755,141</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, 2012**

| | Business-Type Activities | | |
|--|--------------------------|----------------------|----------------------|
| | Enterprise Funds | | |
| | Water | Sewer | Electric |
| Assets: | | | |
| <i>Current Assets:</i> | | | |
| Cash and Cash Equivalents | \$ 90,507 | \$ 132,202 | \$ 233,678 |
| Investments | 2,895,444 | 4,229,304 | 7,475,665 |
| Receivables: | | | |
| Taxes | 0 | 0 | 0 |
| Accounts | 160,410 | 136,941 | 784,767 |
| Intergovernmental | 0 | 0 | 0 |
| Inventory of Supplies at Cost | 27,512 | 2,300 | 378,438 |
| Prepaid Items | 3,163 | 3,890 | 10,808 |
| <i>Total Current Assets</i> | <u>3,177,036</u> | <u>4,504,637</u> | <u>8,883,356</u> |
| <i>Non Current Assets:</i> | | | |
| Capital Assets, Net | 11,437,492 | 7,276,164 | 1,592,695 |
| Investment in Joint Venture | 0 | 0 | 852,630 |
| Total Assets | <u>14,614,528</u> | <u>11,780,801</u> | <u>11,328,681</u> |
| Liabilities: | | | |
| <i>Current Liabilities:</i> | | | |
| Accounts Payable | 18,950 | 4,234 | 230,007 |
| Accrued Wages and Benefits | 33,201 | 27,486 | 66,080 |
| Unearned Revenue | 0 | 0 | 243,305 |
| Compensated Absences Payable - Current | 17,661 | 27,148 | 78,502 |
| Ohio Water Development Authority Loans - Current | 0 | 276,963 | 0 |
| <i>Total Current Liabilities</i> | <u>69,812</u> | <u>335,831</u> | <u>617,894</u> |
| <i>Long Term Liabilities:</i> | | | |
| Compensated Absences Payable | 41,621 | 41,455 | 107,595 |
| OWDA Loans Payable | 4,223,090 | 367,000 | 0 |
| Payable to Joint Venture | 0 | 0 | 321,951 |
| Total Liabilities | <u>4,334,523</u> | <u>744,286</u> | <u>1,047,440</u> |
| Deferred Inflows of Resources: | | | |
| Property Tax for Next Fiscal Year | 0 | 0 | 0 |
| Net Position: | | | |
| Net Investment in Capital Assets | 7,214,402 | 6,632,201 | 1,592,695 |
| Unrestricted | 3,065,603 | 4,404,314 | 8,688,546 |
| Total Net Position | <u>\$ 10,280,005</u> | <u>\$ 11,036,515</u> | <u>\$ 10,281,241</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

| Refuse | Cable | Total | Governmental Activities - Internal Service Funds |
|---------------------|-------------------|----------------------|---|
| \$ 990,561 | \$ 176,008 | \$ 1,622,956 | \$ 87,963 |
| 0 | 0 | 14,600,413 | 0 |
| 338,566 | 0 | 338,566 | 0 |
| 42,688 | 0 | 1,124,806 | 0 |
| 18,616 | 0 | 18,616 | 0 |
| 0 | 0 | 408,250 | 0 |
| 2,672 | 0 | 20,533 | 0 |
| <u>1,393,103</u> | <u>176,008</u> | <u>18,134,140</u> | <u>87,963</u> |
| 179,605 | 0 | 20,485,956 | 4,371,617 |
| 0 | 0 | 852,630 | 0 |
| <u>1,572,708</u> | <u>176,008</u> | <u>39,472,726</u> | <u>4,459,580</u> |
| 5,099 | 0 | 258,290 | 590 |
| 12,215 | 0 | 138,982 | 6,145 |
| 0 | 0 | 243,305 | 0 |
| 11,695 | 0 | 135,006 | 5,733 |
| 0 | 0 | 276,963 | 0 |
| <u>29,009</u> | <u>0</u> | <u>1,052,546</u> | <u>12,468</u> |
| 16,635 | 0 | 207,306 | 8,684 |
| 0 | 0 | 4,590,090 | 0 |
| 0 | 0 | 321,951 | 0 |
| <u>45,644</u> | <u>0</u> | <u>6,171,893</u> | <u>21,152</u> |
| <u>322,153</u> | <u>0</u> | <u>322,153</u> | <u>0</u> |
| 179,605 | 0 | 15,618,903 | 4,371,617 |
| 1,025,306 | 176,008 | 17,359,777 | 66,811 |
| <u>\$ 1,204,911</u> | <u>\$ 176,008</u> | <u>32,978,680</u> | <u>\$ 4,438,428</u> |
| | | <u>1,572,300</u> | |
| | | <u>\$ 34,550,980</u> | |

CITY OF OBERLIN, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012**

| | Business-Type Activities | | |
|--|--------------------------|----------------------|----------------------|
| | Enterprise Funds | | |
| | Water | Sewer | Electric |
| Operating Revenues: | | | |
| Charges for Services | 1,977,455 | 1,685,244 | 9,967,489 |
| Other Operating Revenue | 0 | 0 | 518,882 |
| Total Operating Revenues | 1,977,455 | 1,685,244 | 10,486,371 |
| Operating Expenses: | | | |
| Personal Services | 853,132 | 716,361 | 2,244,264 |
| Contractual Services | 204,611 | 273,092 | 1,234,463 |
| Materials and Supplies | 102,519 | 37,027 | 26,776 |
| Purchased Power | 0 | 0 | 6,043,774 |
| Depreciation | 571,170 | 430,105 | 163,865 |
| Total Operating Expenses | 1,731,432 | 1,456,585 | 9,713,142 |
| Operating Income (Loss) | 246,023 | 228,659 | 773,229 |
| Nonoperating Revenues (Expenses): | | | |
| Property Taxes | 0 | 0 | 0 |
| Investment Earnings | 0 | 0 | 1,919 |
| Intergovernmental Revenue | 0 | 0 | 0 |
| Interest Expense | (91,382) | (54,892) | (399,976) |
| Sale of Capital Assets | (28,412) | (11,986) | 0 |
| Gain on Investment in Joint Venture | 0 | 0 | 19,700 |
| Total Nonoperating Revenues (Expenses) | (119,794) | (66,878) | (378,357) |
| Income (Loss) Before Transfers and Contributions | 126,229 | 161,781 | 394,872 |
| Transfers Out | 0 | (24,335) | 0 |
| Capital Contributions | 59,621 | 0 | 0 |
| Change in Net Position | 185,850 | 137,446 | 394,872 |
| Net Position Beginning of Year | 10,094,155 | 10,899,069 | 9,886,369 |
| Net Position End of Year | \$ 10,280,005 | \$ 11,036,515 | \$ 10,281,241 |

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

| Refuse | Cable | Total | Governmental Activities - Internal Service Funds |
|--------------|------------|------------|---|
| 545,270 | 15,724 | 14,191,182 | 423,753 |
| 0 | 0 | 518,882 | 0 |
| 545,270 | 15,724 | 14,710,064 | 423,753 |
| 286,810 | 0 | 4,100,567 | 143,878 |
| 270,038 | 4,202 | 1,986,406 | 95,872 |
| 0 | 0 | 166,322 | 174,013 |
| 0 | 0 | 6,043,774 | 0 |
| 40,298 | 0 | 1,205,438 | 143,450 |
| 597,146 | 4,202 | 13,502,507 | 557,213 |
| (51,876) | 11,522 | 1,207,557 | (133,460) |
| 358,381 | 0 | 358,381 | 0 |
| 0 | 0 | 1,919 | 0 |
| 2,016 | 0 | 2,016 | 0 |
| 0 | 0 | (546,250) | 0 |
| 0 | 0 | (40,398) | 0 |
| 0 | 0 | 19,700 | 0 |
| 360,397 | 0 | (204,632) | 0 |
| 308,521 | 11,522 | 1,002,925 | (133,460) |
| (272,378) | 0 | (296,713) | (3,000) |
| 0 | 0 | 59,621 | 0 |
| 36,143 | 11,522 | 765,833 | (136,460) |
| 1,168,768 | 164,486 | 32,212,847 | 4,574,888 |
| \$ 1,204,911 | \$ 176,008 | 32,978,680 | \$ 4,438,428 |
| | | 765,833 | |
| | | (110,177) | |
| | | \$ 655,656 | |

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

| | Business-Type Activities | | |
|---|--------------------------|------------------|--------------------|
| | Enterprise Funds | | |
| | Water | Sewer | Electric |
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from Customers | \$1,968,040 | \$1,683,747 | \$10,847,990 |
| Cash Payments for Goods and Services | (334,203) | (362,516) | (7,296,343) |
| Cash Payments to Employees | (884,141) | (708,863) | (2,246,197) |
| Net Cash Provided (Used) for Operating Activities | <u>749,696</u> | <u>612,368</u> | <u>1,305,450</u> |
| <u>Cash Flows from Noncapital Financing Activities:</u> | | | |
| Transfers Out to Other Funds | 0 | (24,335) | 0 |
| Receipts of Property Taxes | 0 | 0 | 0 |
| Net Cash Provided (Used) for Noncapital Financing Activities | <u>0</u> | <u>(24,335)</u> | <u>0</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | | |
| Acquisition and Construction of Assets Principal Paid on Ohio Water Development Authority Loans | (210,841) | (323,553) | (135,420) |
| Interest Paid on All Debt | (215,701) | (401,135) | 0 |
| Net Cash Used for Capital and Related Financing Activities | <u>(91,382)</u> | <u>(54,892)</u> | <u>(399,976)</u> |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Purchase of Investments | (338,121) | (1,682) | (1,034,146) |
| Receipts of Interest | 0 | 0 | 1,919 |
| Net Cash Used for Investing Activities | <u>(338,121)</u> | <u>(1,682)</u> | <u>(1,032,227)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (106,349) | (193,229) | (262,173) |
| Cash and Cash Equivalents at Beginning of Year | 196,856 | 325,431 | 495,851 |
| Cash and Cash Equivalents at End of Year | <u>\$90,507</u> | <u>\$132,202</u> | <u>\$233,678</u> |

CITY OF OBERLIN, OHIO

| Refuse | Cable | Total | Governmental Activities - Internal Service Funds |
|-----------|-----------|--------------|---|
| \$545,223 | \$15,724 | \$15,060,724 | \$423,753 |
| (276,711) | (4,202) | (8,273,975) | (277,073) |
| (284,832) | 0 | (4,124,033) | (144,022) |
| (16,320) | 11,522 | 2,662,716 | 2,658 |
| (272,378) | 0 | (296,713) | (3,000) |
| 355,081 | 0 | 355,081 | 0 |
| 82,703 | 0 | 58,368 | (3,000) |
| 0 | 0 | (669,814) | 0 |
| 0 | 0 | (616,836) | 0 |
| 0 | 0 | (546,250) | 0 |
| 0 | 0 | (1,832,900) | 0 |
| 0 | 0 | (1,373,949) | 0 |
| 0 | 0 | 1,919 | 0 |
| 0 | 0 | (1,372,030) | 0 |
| 66,383 | 11,522 | (483,846) | (342) |
| 924,178 | 164,486 | 2,106,802 | 88,305 |
| \$990,561 | \$176,008 | \$1,622,956 | \$87,963 |

(Continued)

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

| | Business-Type Activities Enterprise Funds | | |
|---|--|------------------|--------------------|
| | Water | Sewer | Electric |
| <u>Reconciliation of Operating Income (Loss) to Net Cash</u> | | | |
| <u>Provided (Used) for Operating Activities:</u> | | | |
| Operating Income (Loss) | \$246,023 | \$228,659 | \$773,229 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities: | | | |
| Depreciation Expense | 571,170 | 430,105 | 163,865 |
| Changes in Assets and Liabilities: | | | |
| Decrease (Increase) in Accounts Receivable | (9,415) | (1,497) | 118,314 |
| Increase in Inventory | (3,861) | (1,190) | (2,127) |
| Decrease (Increase) in Prepaid Items | (145) | 2,274 | (948) |
| Increase (Decrease) in Accounts Payable | (22,477) | (54,700) | 10,468 |
| Increase (Decrease) in Accrued | | | |
| Wages and Benefits | (5,796) | 89 | (6,756) |
| Increase in Unearned Revenue | 0 | 0 | 243,305 |
| Increase (Decrease) in | | | |
| Compensated Absences | (25,803) | 8,628 | 6,100 |
| Total Adjustments | <u>503,673</u> | <u>383,709</u> | <u>532,221</u> |
| Net Cash Provided (Used) for Operating Activities | <u>\$749,696</u> | <u>\$612,368</u> | <u>\$1,305,450</u> |

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2012, the Electric Fund had outstanding liabilities of \$152,899 for the purchase of certain capital assets.

During 2012, the Water Fund received \$59,621 of capital contributions from other sources.

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

| Refuse | Cable | Total | Governmental Activities - Internal Service Funds |
|-------------------|-----------------|--------------------|---|
| (\$51,876) | \$11,522 | \$1,207,557 | (\$133,460) |
| 40,298 | 0 | 1,205,438 | 143,450 |
| (47) | 0 | 107,355 | 0 |
| 0 | 0 | (7,178) | 0 |
| 108 | 0 | 1,289 | 0 |
| (6,796) | 0 | (73,505) | (7,207) |
| 207 | 0 | (12,256) | (225) |
| 0 | 0 | 243,305 | 0 |
| 1,786 | 0 | (9,289) | 100 |
| <u>35,556</u> | <u>0</u> | <u>1,455,159</u> | <u>136,118</u> |
| <u>(\$16,320)</u> | <u>\$11,522</u> | <u>\$2,662,716</u> | <u>\$2,658</u> |

CITY OF OBERLIN, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2012***

| | <u>Agency</u> |
|---------------------------|---------------------|
| Assets: | |
| Cash and Cash Equivalents | \$ 259,126 |
| Receivables: | |
| Taxes | 805,524 |
| Intergovernmental | <u>48,678</u> |
| Total Assets | <u>1,113,328</u> |
| Liabilities: | |
| Due to Others | <u>1,113,328</u> |
| Total Liabilities | <u>\$ 1,113,328</u> |

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

1. Joint Ventures with Equity Interest

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Joint Ventures with Equity Interest (Continued)

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

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

B. Basis of Presentation - Fund Accounting

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

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

Governmental Funds

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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.

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

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

Fiduciary Funds

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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, 2012, but which are not intended to finance 2012 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 7 “Taxes”.

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

E. Deferred Inflows/Outflows of Resources

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

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

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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 2012.

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 2012, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—(Non-GAAP Budgetary Basis) General Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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, 2012**

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) | \$171,654 |
| Increase (Decrease): | |
| Accrued Revenues at December 31, 2012 received during 2013 | (1,392,733) |
| Accrued Revenues at December 31, 2011 received during 2010 | 1,138,003 |
| Accrued Expenditures at December 31, 2012 paid during 2013 | 253,964 |
| Accrued Expenditures at December 31, 2011 paid during 2012 | (255,082) |
| 2011 Prepays for 2012 | 10,409 |
| 2012 Prepays for 2013 | (27,447) |
| Outstanding Encumbrances | (153,799) |
| Perspective Difference: | |
| Activity of Funds Reclassified for GAAP Reporting Purposes | 14,515 |
| Budget Basis | <u><u>(\$240,516)</u></u> |

G. Cash and Cash Equivalents

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Investments

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

The City has invested funds in the STAR Ohio during 2012. 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, 2012.

I. Inventory

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

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2012***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

2. Property, Plant and Equipment – Business Type Activities

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

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

3. Depreciation

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

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2012***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

M. Net Position

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

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

N. Fund Balances

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances (Continued)

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

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

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

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

O. Pensions

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

P. Interfund Activity

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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 2012.

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CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2012***

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

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

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

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

| | |
|---------------------------------|-----------|
| Delinquent Property Tax Revenue | \$36,909 |
| Shared Revenues | 372,224 |
| Interest Revenues | 37,104 |
| All Other Revenue | 403,659 |
| | <hr/> |
| | \$849,896 |

Long-Term liabilities not reported in the funds:

| | |
|------------------------------------|---------------|
| General Obligation Bonds Payable | (\$8,487,841) |
| OPWC Loans Payable | (452,467) |
| Accrued Interest on Long-Term Debt | (62,578) |
| Compensated Absences Payable | (786,988) |
| | <hr/> |
| | (\$9,789,874) |

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CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2012***

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

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

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

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

| | |
|----------------------|--------------------|
| Capital Outlay | \$1,306,316 |
| Depreciation Expense | (1,831,601) |
| | <u>(\$525,285)</u> |

Governmental revenues not reported in the funds:

| | |
|--|-----------------|
| Increase in Delinquent Property Tax | 15,210 |
| Decrease in Charges for Services | (22,417) |
| Increase in Shared Revenue | 39,166 |
| Decrease in Interest Revenue | (18,736) |
| Increase in All Other Revenue | 9,933 |
| Decrease in Special Assessment Revenue | (802) |
| | <u>\$22,354</u> |

Expenses not requiring the use of current financial resources:

| | |
|--|-----------------|
| Decrease in Compensated Absences Payable | \$60,843 |
| Decrease in supplies inventory | (3,034) |
| | <u>\$57,809</u> |

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2012 of \$52,434 in the Downtown Revitalization Grant Fund (special revenue fund), \$67,551 in the Police-Fire Pension Fund (special revenue fund), \$14,726 in the Utility Deposit Fund (special revenue fund) and \$21,932 in the Sidewalk Improvement Fund (capital projects fund) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 4 – FUND BALANCE CLASSIFICATION

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

| Fund Balances | General Fund | Income Tax Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|---------------------|-----------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Principal | \$0 | \$0 | \$27,259 | \$27,259 |
| Prepaid Items | 27,447 | 0 | 0 | 27,447 |
| Supplies Inventory | 5,299 | 0 | 56,070 | 61,369 |
| Total Nonspendable | <u>32,746</u> | <u>0</u> | <u>83,329</u> | <u>116,075</u> |
| Restricted: | | | | |
| Fire Station Improvement | 0 | 0 | 119,558 | 119,558 |
| Street Maintenance | 0 | 0 | 113,888 | 113,888 |
| State Highway Improvements | 0 | 0 | 82,307 | 82,307 |
| Library | 0 | 0 | 9,717 | 9,717 |
| County Recycling | 0 | 0 | 20,676 | 20,676 |
| CDBG Grant | 0 | 0 | 184,890 | 184,890 |
| Community Housing | 0 | 0 | 13,983 | 13,983 |
| DARE Grant | 0 | 0 | 13,994 | 13,994 |
| Home RLF | 0 | 0 | 101,802 | 101,802 |
| EMS Grant | 0 | 0 | 645 | 645 |
| DARE Trust | 0 | 0 | 63,927 | 63,927 |
| TIF East College Street | 0 | 0 | 90,868 | 90,868 |
| Indigent Alcohol Treatment | 0 | 0 | 142,429 | 142,429 |
| Indigent Interlock Monitor | 0 | 0 | 40,244 | 40,244 |
| Special Assessment Bond Retirement | 0 | 0 | 275,490 | 275,490 |
| Spring Street Park Improvement | 0 | 0 | 11,377 | 11,377 |
| Gasholder Renovation | 0 | 0 | 33,270 | 33,270 |
| Recreation Complex | 0 | 0 | 17,338 | 17,338 |
| OPWC Grants | 0 | 0 | 25,288 | 25,288 |
| Court Improvement/Computer | 0 | 0 | 553,040 | 553,040 |
| Clerk of Court Computer | 0 | 0 | 147,275 | 147,275 |
| Total Restricted | <u>0</u> | <u>0</u> | <u>2,062,006</u> | <u>2,062,006</u> |
| Committed: | | | | |
| Capital Improvements | 0 | 1,287,028 | 0 | 1,287,028 |
| War Memorial | 0 | 0 | 23,384 | 23,384 |
| Utility Caring | 0 | 0 | 50,076 | 50,076 |
| Open Space | 0 | 0 | 16,118 | 16,118 |
| Subdivision | 0 | 0 | 13,657 | 13,657 |
| Parks | 0 | 0 | 4,867 | 4,867 |
| Equipment Replacement | 0 | 0 | 340,641 | 340,641 |
| Total Committed | <u>0</u> | <u>1,287,028</u> | <u>448,743</u> | <u>1,735,771</u> |
| Assigned | 1,161,712 | 0 | 87,708 | 1,249,420 |
| Unassigned | 9,081,467 | 0 | (156,643) | 8,924,824 |
| Total Fund Balances | <u>\$10,275,925</u> | <u>\$1,287,028</u> | <u>\$2,525,143</u> | <u>\$14,088,096</u> |

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE

For 2012 the City implemented GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*” GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

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

NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

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

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

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2012***

NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

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

At year end the carrying amount of the City's deposits was \$29,389,351 and the bank balance was \$29,592,193. Federal depository insurance covered \$28,483,716 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>\$1,108,477</u> |
| Total Balance | <u><u>\$1,108,477</u></u> |

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CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2012**

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

B. Investments

The City's investments at December 31, 2012 are summarized below:

| | <u>Fair Value</u> | <u>Credit Rating</u> | <u>Investment Maturities (in Years) less than 1</u> |
|-------------------|-------------------|----------------------|---|
| STAR Ohio | \$57,814 | AAAm ¹ | \$57,814 |
| Total Investments | <u>\$57,814</u> | | <u>\$57,814</u> |

¹ Standard & Poor's

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The City's investment in Star Ohio was rated AAAm¹ by Standard & Poor's.

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

| | <u>Cash and Cash Equivalents *</u> | <u>Investments</u> |
|--|--|--------------------|
| Per Financial Statements | \$4,308,339 | \$25,134,939 |
| Certificates of Deposit (with maturities of more than 3 months) | 25,134,939 | (25,134,939) |
| Investments: | | |
| STAR Ohio | (57,814) | 57,814 |
| Per GASB Statement No. 3 | <u>\$29,385,464</u> | <u>\$57,814</u> |

* Includes cash on hand.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 7 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2012 were levied after October 1, 2011 on assessed values as of January 1, 2011, 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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 7 - TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for the City's operations for the year ended December 31, 2012 was \$14.18 per \$1,000 of assessed value. The assessed value upon which the 2012 receipts were based was \$120,780,960. This amount constitutes \$120,310,000 in real property assessed value and \$470,960 in public utility assessed value.

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

B. Income Tax

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

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012 consisted of taxes, interest, accounts receivable, interfund loans, loans and intergovernmental receivables arising from shared revenues.

NOTE 9 - INTERFUND BALANCES

Individual interfund balances at December 31, 2012 that are expected to be paid within one year are as follows:

| Fund | Interfund Loans Receivable | Interfund Loans Payable |
|------------------------------------|-------------------------------|----------------------------|
| Governmental Funds: | | |
| General Fund | \$235,123 | \$0 |
| Community Housing Improvement Fund | 0 | 160,237 |
| DARE Grant Fund | 0 | 1,440 |
| Sidewalk Improvement Fund | 0 | 21,932 |
| Downtown Revitalization Grant Fund | 0 | 51,514 |
| Totals | \$235,123 | \$235,123 |

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2012***

NOTE 10 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2012:

| Transfers In: | Transfers Out: | | | | | | Total |
|--------------------------|------------------|--------------------|--------------------------------|----------------|-----------------|------------------|--------------------|
| | General Fund | Income Tax Fund | Other Governmental Funds | Garage Fund | Sewer Fund | Refuse Fund | |
| General Fund | \$0 | \$0 | \$500 | \$0 | \$0 | \$0 | \$500 |
| Other Governmental Funds | 290,000 | 767,787 | 88,156 | 3,000 | 24,335 | 272,378 | 1,445,656 |
| Total | <u>\$290,000</u> | <u>\$767,787</u> | <u>\$88,656</u> | <u>\$3,000</u> | <u>\$24,335</u> | <u>\$272,378</u> | <u>\$1,446,156</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, 2012**

NOTE 11 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2012:

Historical Cost:

| Class | December 31, 2011 | Transfers | Additions | Deletions | December 31, 2012 |
|--|----------------------|------------|--------------------|----------------------|----------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$2,224,323 | \$0 | \$0 | \$0 | \$2,224,323 |
| Construction in Progress | 1,436,462 | 0 | 1,286,065 | (1,219,101) | 1,503,426 |
| Subtotal | <u>3,660,785</u> | <u>0</u> | <u>1,286,065</u> | <u>(1,219,101)</u> | <u>3,727,749</u> |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings | 13,171,258 | 0 | 19,070 | 0 | 13,190,328 |
| Improvements Other than Buildings | 487,101 | 0 | 70,813 | 0 | 557,914 |
| Machinery and Equipment | 6,595,192 | 0 | 278,613 | (65,091) | 6,808,714 |
| Infrastructure | 35,032,930 | 0 | 870,856 | (155,769) | 35,748,017 |
| Subtotal | <u>55,286,481</u> | <u>0</u> | <u>1,239,352</u> | <u>(220,860)</u> | <u>56,304,973</u> |
| Total Cost | <u>\$58,947,266</u> | <u>\$0</u> | <u>\$2,525,417</u> | <u>(\$1,439,961)</u> | <u>\$60,032,722</u> |

Accumulated Depreciation:

| Class | December 31, 2011 | Transfers | Additions | Deletions | December 31, 2012 |
|-----------------------------------|-----------------------|------------|------------------------|------------------|-----------------------|
| Buildings | (\$2,234,325) | \$0 | (\$320,102) | \$0 | (\$2,554,427) |
| Improvements Other than Buildings | (70,894) | 0 | (22,478) | 0 | (93,372) |
| Machinery and Equipment | (4,256,041) | 0 | (436,942) | 59,845 | (4,633,138) |
| Infrastructure | (16,986,476) | 0 | (1,195,529) | 138,313 | (18,043,692) |
| Total Depreciation | <u>(\$23,547,736)</u> | <u>\$0</u> | <u>(\$1,975,051) *</u> | <u>\$198,158</u> | <u>(\$25,324,629)</u> |
| <i>Net Value:</i> | <u>\$35,399,530</u> | | | | <u>\$34,708,093</u> |

* Depreciation expenses were charged to governmental functions as follows:

| | |
|---|--------------------|
| Security of Persons and Property | \$339,562 |
| Public Health and Welfare Services | 4,483 |
| Leisure Time Activities | 94,256 |
| Community Development | 3,237 |
| Basic Utility Services | 12,179 |
| Transportation | 1,313,486 |
| General Government | <u>64,398</u> |
| Total Depreciation Expense recorded within the Governmental Activities | 1,831,601 |
| Amount of Depreciation Expense recorded in the Internal Service Fund | <u>143,450</u> |
| Total Depreciation Expense | <u>\$1,975,051</u> |

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 11 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2012:

Historical Cost:

| Class | December 31, 2011 | Additions | Deletions | December 31, 2012 |
|--|----------------------|--------------------|--------------------|----------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$1,099,045 | \$0 | \$0 | \$1,099,045 |
| Construction in Progress | 133,269 | 524,109 | (229,859) | 427,519 |
| Subtotal | <u>1,232,314</u> | <u>524,109</u> | <u>(229,859)</u> | <u>1,526,564</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 6,728,298 | 98,089 | 0 | 6,826,387 |
| Infrastructure | 11,384,456 | 194,121 | (55,849) | 11,522,728 |
| Improvements Other than Buildings | 1,063,299 | 10,463 | 0 | 1,073,762 |
| Machinery and Equipment | 19,261,701 | 216,682 | 0 | 19,478,383 |
| Subtotal | <u>38,437,754</u> | <u>519,355</u> | <u>(55,849)</u> | <u>38,901,260</u> |
| Total Cost | <u>\$39,670,068</u> | <u>\$1,043,464</u> | <u>(\$285,708)</u> | <u>\$40,427,824</u> |

Accumulated Depreciation:

| Class | December 31, 2011 | Additions | Deletions | December 31, 2012 |
|-----------------------------------|-----------------------|----------------------|-----------------|-----------------------|
| Buildings | (\$2,971,425) | (\$127,894) | \$0 | (\$3,099,319) |
| Infrastructure | (2,501,359) | (128,275) | 15,451 | (2,614,183) |
| Improvements Other than Buildings | (173,095) | (51,986) | 0 | (225,081) |
| Machinery and Equipment | (13,106,002) | (897,283) | 0 | (14,003,285) |
| Total Depreciation | <u>(\$18,751,881)</u> | <u>(\$1,205,438)</u> | <u>\$15,451</u> | <u>(\$19,941,868)</u> |
| <i>Net Value:</i> | <u>\$20,918,187</u> | | | <u>\$20,485,956</u> |

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 12 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's contributions for pension obligations

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$779,117, \$793,188 and \$803,680, respectively, which were equal to the required contributions for each year.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2012, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2012, 2011, and 2010 were \$309,379, \$306,084 and \$302,561, respectively, which were equal to the required contributions for each year.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

The City's contributions for health care to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$222,605, \$226,625 and \$294,577, respectively, which were equal to the required contributions for each year.

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

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

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

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2012, 2011, and 2010 were \$101,610, \$100,540 and \$99,469, respectively, which were equal to the required contributions for each year.

NOTE 14 – COMPENSATED ABSENCES

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

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

At December 31, 2012, the City's accumulated, unpaid compensated absences amounted to \$1,176,265, of which \$833,953 is recorded as a liability of the Governmental Activities and \$342,312 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, 2012**

NOTE 15 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2012 was as follows:

| Date Purchased | Interest Rate | Description | Maturity Date | Balance December 31, 2011 | Additions | (Reductions) | Balance December 31, 2012 | Amount Due Within One Year |
|--|---------------|-------------------------------|---------------|---------------------------|------------------|----------------------|---------------------------|----------------------------|
| Business-Type Activities: | | | | | | | | |
| Ohio Water Development Authority Loans (OWDA): | | | | | | | | |
| 1973 | 5.500% | OWDA - Project #1207 | 2015 | \$120,463 | \$0 | (\$27,736) | \$92,727 | \$29,262 |
| 1990 | 7.770% | OWDA - Project #1807 | 2016 | 509,458 | 0 | (99,111) | 410,347 | 106,812 |
| 2000 | 3.630% | OWDA - Project #3293 | 2013 | 415,177 | 0 | (274,288) | 140,889 | 140,889 |
| 2008 | 2.000% | OWDA - Project #4875 | 2029 | 4,438,791 | 0 | (215,701) | 4,223,090 | 0 |
| Total Ohio Water Development Authority Loans | | | | 5,483,889 | 0 | (616,836) | 4,867,053 | 276,963 |
| Payable to Joint Venture | | | | 398,618 | 0 | (76,667) | 321,951 | 0 |
| Compensated Absences | | | | 351,601 | 342,312 | (351,601) | 342,312 | 135,006 |
| Total Business-Type Long-Term Debt | | | | <u>\$6,234,108</u> | <u>\$342,312</u> | <u>(\$1,045,104)</u> | <u>\$5,531,316</u> | <u>\$411,969</u> |
| Governmental Activities: | | | | | | | | |
| General Obligation Bonds: | | | | | | | | |
| 2000 | 5.500% | Recreation Facility | 2014 | \$101,763 | \$0 | (\$33,922) | \$67,841 | \$33,922 |
| 2007 | 6.000% | Municipal Service Center | 2027 | 3,640,000 | 0 | (165,000) | 3,475,000 | 170,000 |
| 2010 | 2.000% | Improvement Bonds | 2030 | 5,215,000 | 0 | (270,000) | 4,945,000 | 280,000 |
| Total General Obligation Bonds | | | | 8,956,763 | 0 | (468,922) | 8,487,841 | 483,922 |
| Ohio Public Works Commission Loans: | | | | | | | | |
| 2006 | 0.000% | East Hamilton Road | 2017 | 16,763 | 0 | (2,793) | 13,970 | 2,793 |
| 2006 | 0.000% | North Professor Street | 2021 | 18,722 | 0 | (1,970) | 16,752 | 1,970 |
| 2010 | 0.000% | North Pleasant/Walnut Street | 2029 | 274,601 | 0 | (15,256) | 259,345 | 15,256 |
| 2011 | 0.000% | North Professor, Union Street | 2027 | 174,000 | 0 | (11,600) | 162,400 | 5,800 |
| Total Ohio Public Commission Loans | | | | 484,086 | 0 | (31,619) | 452,467 | 25,819 |
| Compensated Absences | | | | 862,146 | 833,953 | (862,146) | 833,953 | 339,762 |
| Total Governmental Activities Long-Term Debt | | | | <u>\$10,302,995</u> | <u>\$833,953</u> | <u>(\$1,362,687)</u> | <u>\$9,774,261</u> | <u>\$849,503</u> |

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 15 - LONG-TERM DEBT (Continued)

A. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2012 follows:

| Years | General Obligation Bonds | | OWDA Loans | | OPWC Loans | |
|-----------|-----------------------------|--------------------|--------------------|------------------|------------------|------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | \$483,922 | \$309,171 | \$276,963 | \$42,461 | \$25,819 | \$0 |
| 2014 | 498,919 | 291,505 | 537,003 | 32,552 | 31,621 | 0 |
| 2015 | 475,000 | 273,606 | 547,671 | 21,883 | 31,621 | 0 |
| 2016 | 410,000 | 256,706 | 314,503 | 7,898 | 31,621 | 0 |
| 2017 | 420,000 | 240,306 | 250,133 | 2,920 | 31,622 | 0 |
| 2018-2022 | 2,355,000 | 962,776 | 1,250,665 | 14,600 | 141,178 | 0 |
| 2023-2027 | 2,895,000 | 507,944 | 1,250,665 | 14,600 | 128,478 | 0 |
| 2028-2030 | 950,000 | 67,788 | 439,450 | 363 | 30,507 | 0 |
| Totals | <u>\$8,487,841</u> | <u>\$2,909,802</u> | <u>\$4,867,053</u> | <u>\$137,277</u> | <u>\$452,467</u> | <u>\$0</u> |

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CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2012***

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2012 the City had the following commitments with respect to capital projects:

| Project | Remaining Construction Commitment | Expected Date of Completion |
|----------------------------------|---|-----------------------------------|
| Roof Repairs - 85 S. Main St. | \$5,760 | 2013 |
| Fire Station Arbitration | 9,085 | 2013 |
| Fire Station Arbitration | 1,200 | 2013 |
| Fire Station | 2,521 | 2013 |
| Fire Station | 7,088 | 2013 |
| Fire Station | 2,576 | 2013 |
| Fire Station | 107,611 | 2013 |
| Morgan St. Waterworks Bldg. | 1,497 | 2013 |
| South Main Street Curb | 23,532 | 2013 |
| Gasholder Bldg. | 91,393 | 2013 |
| Gasholder Bldg. | 15,874 | 2013 |
| Gasholder Bldg. | 1,288 | 2013 |
| Green Acres Demolition | 39,116 | 2013 |
| Green Acres Demolition | 2,675 | 2013 |
| Wasterwater Headworks | 576 | 2013 |
| Wasterwater Headworks | 67,934 | 2013 |
| Wasterwater Headworks | 23,571 | 2013 |
| Elm and Vine Street Improvements | 28,006 | 2013 |
| Elm and Vine Street Improvements | 1,799 | 2013 |
| Robin Park/Parkwood Improvements | 10,492 | 2013 |
| Robin Park/Parkwood Improvements | 109,096 | 2013 |
| S. Professor/Morgan SAS | 262,469 | 2013 |
| S. Professor/Morgan SAS | 48,479 | 2013 |
| Total | <u>\$863,638</u> | |

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 17 - RISK MANAGEMENT

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

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

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

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

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

NOTE 18 - CONTINGENCIES

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 19 - JOINT VENTURES

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

The City is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net position of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The City's net investment and its share of the operating results of Omega JV-1 are reported in the City's electric fund (an enterprise fund). The City's equity interest in Omega JV-1 was \$23,372 at December 31, 2012. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the City's Finance Director.

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 19 - JOINT VENTURES (Continued)

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2012 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, 2012, the outstanding debt was \$20,030,648. The City's net obligation for this amount at December 31, 2012 was \$232,356. 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 \$237,655 at December 31, 2012. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 19 - JOINT VENTURES (Continued)

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2012 are:

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

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

| | Years | Principal | Interest | Total Debt Service |
|-----------------------|-------|------------------|---------------|--------------------|
| 2013 | | 31,558 | 14,815 | 46,373 |
| 2014 | | 33,180 | 13,159 | 46,339 |
| 2015 | | 34,917 | 11,417 | 46,334 |
| 2016-2020 | | 132,701 | 29,675 | 162,376 |
| Total Gross Liability | | <u>232,356</u> | <u>69,066</u> | <u>301,422</u> |
| Net Obligation | | <u>\$232,356</u> | | |

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 19 - JOINT VENTURES (Continued)

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

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2012 the City of Oberlin has met their debt coverage obligation.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 19 - JOINT VENTURES (Continued)

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$295,113 at December 31, 2012. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2012

NOTE 19 - JOINT VENTURES (Continued)

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2012 the City of Oberlin has met their debt coverage obligation.

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

OMEGA JV6 is managed by American Municipal Power, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The City's net obligation for these bonds at December 31, 2012 was \$89,595 (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 \$296,490 at December 31, 2012. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 19 - JOINT VENTURES (Continued)

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

The ten participating subdivisions and their respective ownership shares at December 31, 2012 are:

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

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

| Years | Principal | Interest | Total Debt Service |
|-------------------------------|-----------------|--------------|-----------------------|
| 2013 | 31,155 | 4,045 | 35,200 |
| 2014 | 32,414 | 2,786 | 35,200 |
| 2015 | 33,723 | 1,477 | 35,200 |
| 2016 | 11,548 | 231 | 11,779 |
| Total Gross Liability | <u>108,840</u> | <u>8,539</u> | <u>117,379</u> |
| Less: Amounts Held in Reserve | <u>(19,245)</u> | | |
| Net Obligation | <u>\$89,595</u> | | |

**CITY OF OBERLIN
LORAIN COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Expenditures |
|--|----------------------------------|---------------------------|-------------------------|
| U.S. DEPARTMENT OF HOUSING and URBAN DEVELOPMENT | | | |
| <i>Passed Through Ohio Developmental Services Agency</i> | | | |
| Small Cities Community Development Block Grant Program | A-C-10-2DA-1 | 14.228 | \$20,857 |
| | A-T-11-2DA-1 | 14.228 | 56,198 |
| Home Investment Partnership Program | A-C-10-2DA-2 | 14.239 | 196,056 |
| Total U.S. Department of Housing and Urban Development | | | <u>273,111</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| <i>Passed Through Ohio Department of Transportation</i> | | | |
| Highway Planning and Construction Grants | | | |
| Highway Planning and Construction/ State Project No. 75844 | 75844 | 20.205 | 369,681 |
| U.S. DEPARTMENT OF JUSTICE | | | |
| <i>Direct Program:</i> | | | |
| Bulletproof Vest Partnership Program | n/a | 16.607 | 1,738 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| <i>Direct Program:</i> | | | |
| State Domestic Preparedness Equipment | | | |
| Support Program | n/a | 97.004 | <u>1,874</u> |
| Total | | | <u><u>\$646,404</u></u> |

The accompanying notes are an integral part of this schedule.

**CITY OF OBERLIN
LORAIN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Oberlin's (the City's) federal award programs' expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 19, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

July 19, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Oberlin's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Oberlin's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Oberlin, Lorain County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 19, 2013

CITY OF OBERLIN
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Highway Planning and Construction Grants / CFDA #20.205 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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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
AUGUST 6, 2013