



Dave Yost • Auditor of State

**CITY OF OREGON
LUCAS COUNTY**

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CITY OF OREGON
LUCAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Oregon
Lucas County
5330 Seaman Road
Oregon, Ohio 43616

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 Oregon, Lucas County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 Oregon, Lucas County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2A to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

As discussed in Note 2B to the financial statements, the January 1, 2015 balances have been restated to correct misstatements due to a large income tax refund and interfund loans that were not recorded during the prior audit. These restatements do not affect our opinion.

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* and schedules of net pension liabilities and pension contributions 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 and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives 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 basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves 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 August 29, 2016, 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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2016

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CITY OF OREGON, OHIO

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

Unaudited

The discussion and analysis of the City of Oregon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 are as follows:

- ❑ In total, net position increased \$4,900,459. Net position of governmental activities decreased \$2,793,828, which represents a 2.9% decrease from 2014. Net position of business-type activities increased \$7,694,287 from 2014.
- ❑ General revenues accounted for \$23 million in revenue or 49% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for the remaining 51% of total revenues of \$47,412,214.
- ❑ The City had \$27.6 million in expenses related to governmental activities; only \$5.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$18.9 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$21.3 million in revenues and \$18.5 million in expenditures. The general fund's fund balance decreased \$9,289,154 to \$34,171,318.
- ❑ Net position for enterprise funds on a modified accrual basis increased by \$7,687,132.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis*, 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.

CITY OF OREGON, OHIO

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

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 is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's infrastructure and continued growth within the City.

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

- *Governmental Activities* – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance projects. 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 OREGON, OHIO

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

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Current and other assets	\$58,916,899	\$78,925,336	\$21,835,940	\$18,790,642	\$80,752,839	\$97,715,978
Capital assets, Net	63,201,092	57,132,343	48,521,036	43,049,260	111,722,128	100,181,603
Total assets	<u>122,117,991</u>	<u>136,057,679</u>	<u>70,356,976</u>	<u>61,839,902</u>	<u>192,474,967</u>	<u>197,897,581</u>
Deferred outflows of resources	<u>2,380,363</u>	<u>1,593,417</u>	<u>535,007</u>	<u>339,140</u>	<u>2,915,370</u>	<u>1,932,557</u>
Net pension liability	16,744,577	15,951,154	2,510,815	2,453,409	19,255,392	18,404,563
Other long-term liabilities	11,942,239	10,789,867	25,494,360	25,657,510	37,436,599	36,447,377
Other liabilities	1,807,130	14,240,040	2,196,301	1,116,085	4,003,431	15,356,125
Total liabilities	<u>30,493,946</u>	<u>40,981,061</u>	<u>30,201,476</u>	<u>29,227,004</u>	<u>60,695,422</u>	<u>70,208,065</u>
Deferred inflows of resources	<u>1,104,827</u>	<u>976,626</u>	<u>44,182</u>	<u>0</u>	<u>1,149,009</u>	<u>976,626</u>
Net position (deficit):						
Net investment in capital assets	54,158,287	49,429,082	24,961,103	18,195,987	79,119,390	67,625,069
Restricted	16,334,471	18,406,327	0	0	16,334,471	18,406,327
Unrestricted (deficit)	<u>22,406,823</u>	<u>40,087,365</u>	<u>(4,314,778)</u>	<u>14,526,684</u>	<u>18,092,045</u>	<u>54,614,049</u>
Total net deficit	<u>\$92,899,581</u>	<u>\$95,693,409</u>	<u>\$40,646,325</u>	<u>\$32,952,038</u>	<u>\$133,545,906</u>	<u>\$128,645,447</u>

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

CITY OF OREGON, OHIO

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

Unaudited

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

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

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

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

CITY OF OREGON, OHIO

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

Unaudited

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation of GASB 68 along with other corrections, had the effect of restating net position at December 31, 2014, from \$128,280,511 to a net position of \$95,693,409 in governmental activities and from \$34,865,520 to a net position of \$32,952,038 in business type activities.

At fiscal year-end for governmental activities, capital assets represented 52% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at December 31, 2015 was \$54,158,287. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$16,334,471, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the City has approximately \$6 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

CITY OF OREGON, OHIO

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

Unaudited

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services and Sales	\$2,427,953	\$3,097,421	\$10,135,491	\$9,045,524	\$12,563,444	\$12,142,945
Operating Grants and Contributions	1,185,232	1,669,930	0	0	1,185,232	1,669,930
Capital Grants and Contributions	2,211,952	3,346,780	8,374,284	393,460	10,586,236	3,740,240
General Revenues:						
Property Taxes	944,157	1,108,912	0	0	944,157	1,108,912
Payments in Lieu of Taxes	388,075	394,523	0	0	388,075	394,523
Income Taxes	20,031,684	31,836,862	0	0	20,031,684	31,836,862
Shared Revenues	788,221	1,198,680	0	0	788,221	1,198,680
Investment Earnings	901,466	1,045,152	23,699	24,196	925,165	1,069,348
Miscellaneous	0	871,940	0	0	0	871,940
Total Revenues	<u>28,878,740</u>	<u>44,570,200</u>	<u>18,533,474</u>	<u>9,463,180</u>	<u>47,412,214</u>	<u>54,033,380</u>
Program Expenses						
Security of Persons and Property	12,250,917	10,507,031	0	0	12,250,917	10,507,031
Public Health and Welfare Services	662,959	407,376	0	0	662,959	407,376
Leisure Time Activities	1,220,435	988,455	0	0	1,220,435	988,455
Community Environment	1,301,931	956,567	0	0	1,301,931	956,567
Basic Utility Services	970,058	1,260,184	0	0	970,058	1,260,184
Transportation	5,579,237	4,807,685	0	0	5,579,237	4,807,685
General Government	5,334,735	6,151,004	0	0	5,334,735	6,151,004
Interest and Fiscal Charges	286,876	216,153	0	0	286,876	216,153
Water	0	0	8,314,536	6,311,522	8,314,536	6,311,522
Sewer	0	0	6,590,071	6,188,557	6,590,071	6,188,557
Total Expenses	<u>27,607,148</u>	<u>25,294,455</u>	<u>14,904,607</u>	<u>12,500,079</u>	<u>42,511,755</u>	<u>37,794,534</u>
Excess (Deficiency) Before Transfers	1,271,592	19,275,745	3,628,867	(3,036,899)	4,900,459	16,238,846
Transfers In (Out)	<u>(4,065,420)</u>	<u>(3,386,805)</u>	<u>4,065,420</u>	<u>3,386,805</u>	<u>0</u>	<u>0</u>
Total Change in Net Position	<u>(2,793,828)</u>	<u>15,888,940</u>	<u>7,694,287</u>	<u>349,906</u>	<u>4,900,459</u>	<u>16,238,846</u>
Beginning Net Position, Restated	<u>95,693,409</u>	<u>N/A</u>	<u>32,952,038</u>	<u>N/A</u>	<u>128,645,447</u>	<u>N/A</u>
Ending Net Position	<u>\$92,899,581</u>	<u>\$95,693,409</u>	<u>\$40,646,325</u>	<u>\$32,952,038</u>	<u>\$133,545,906</u>	<u>\$128,645,447</u>

CITY OF OREGON, OHIO

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

Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,597,087 for Governmental Activities and \$306,890 for Business-type Activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,706,149 for Governmental Activities and \$277,958 for Business-type Activities.

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

	Governmental Activities	Business-type Activities
	<u> </u>	<u> </u>
Total 2015 program expenses under GASB 68	\$27,607,148	\$14,904,607
Pension expense under GASB 68	(1,706,149)	(277,958)
2015 contractually required contribution	<u>1,601,605</u>	<u>379,382</u>
Adjusted 2015 program expenses	27,502,604	15,006,031
Total 2014 program expenses under GASB 27	<u>24,294,455</u>	<u>12,500,079</u>
Change in program expenses not related to pension	<u><u>\$3,208,149</u></u>	<u><u>\$2,505,952</u></u>

CITY OF OREGON, OHIO

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

Unaudited

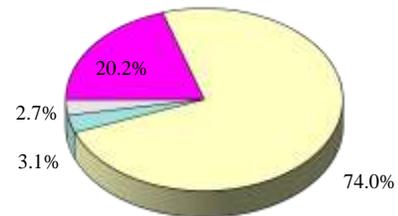
Governmental Activities

Net position of the City's governmental activities decreased by \$2,793,828. This was due primarily to an increase in Security of Persons and Property.

The City also receives an income tax, which is based on 2.25% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work or services performed or rendered in the City.

Property taxes and income taxes made up 3.3% and 69.4% respectively of revenues for governmental activities for the City in fiscal year 2015. The City's reliance upon tax revenues is demonstrated by the following graph indicating 74% of total revenues from general tax revenues:

Revenue Sources	2015	Percent of Total
General Shared Revenues	\$788,221	2.7%
Program Revenues	5,825,137	20.2%
General Tax Revenues	21,363,916	74.0%
General Other	901,466	3.1%
Total Revenue	<u>\$28,878,740</u>	<u>100.00%</u>



CITY OF OREGON, OHIO

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

Unaudited

Business-Type Activities

Net position of the business-type activities increased by \$7,694,287. This increase was due in large part to increases in charges for services during the year and grants received for water and wastewater projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$51,174,138, which is a decrease from last year's restated balance of \$57,974,776. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2015 and 2014:

	Fund Balance December 31, 2015	Restated Fund Balance December 31, 2014	Increase (Decrease)
General	\$34,171,318	\$43,460,472	(\$9,289,154)
Special Assessment Bond			
Retirement	218,442	97,034	121,408
Solid Waste, Bonds and CIP	1,475,638	4,407,691	(2,932,053)
Street Construction	6,099,212	2,728,982	3,370,230
Other Governmental	9,209,528	7,280,597	1,928,931
Total	<u>\$51,174,138</u>	<u>\$57,974,776</u>	<u>(\$6,800,638)</u>

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

	2015 Revenues	2014 Revenues	Increase (Decrease)
Taxes	\$16,960,971	\$26,978,687	(\$10,017,716)
Intergovernmental Revenue	583,555	666,521	(82,966)
Charges for Services	1,911,004	1,950,060	(39,056)
Fines, Licenses and Permits	524,060	590,125	(66,065)
Investment Earnings	903,583	1,020,962	(117,379)
Special Assessments	168,100	8,005	160,095
All Other Revenue	242,390	363,615	(121,225)
Total	<u>\$21,293,663</u>	<u>\$31,577,975</u>	<u>(\$10,284,312)</u>

General Fund revenues in 2015 decreased approximately 32.6% compared to revenues in fiscal year 2014. The most significant factor contributing to this decrease was the large influx of income tax revenue from a large industrial employer during 2014 compared to 2015. This money was subsequently refunded during 2015.

CITY OF OREGON, OHIO

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

Unaudited

	2015	2014	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$9,676,647	\$9,383,099	\$293,548
Public Health and Welfare Services	626,434	427,165	199,269
Leisure Time Activities	12,100	10,500	1,600
Community Environment	826,657	674,550	152,107
Transportation	3,205,834	2,883,954	321,880
General Government	4,108,012	3,959,335	148,677
Debt Service:			
Principal Retirement	30,809	29,703	1,106
Interest and Fiscal Charges	1,885	2,992	(1,107)
Total	<u>\$18,488,378</u>	<u>\$17,371,298</u>	<u>\$1,117,080</u>

General Fund expenditures increased by \$1,117,080 or 6.4% compared to the prior year mostly due to increases in Security of Persons and Property and Transportation.

GENERAL FUND BUDGETARY INFORMATION

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

During the course of fiscal year 2015 the City amended its General Fund budget several times.

For the General Fund, final budget basis revenue of \$20.6 million did not change from the original budget estimates of \$20.6 million. The General Fund had an adequate fund balance to cover expenditures.

CHANGE IN FUND BALANCES

The increase in fund balance for the Special Assessment Bond Retirement Fund can be attributed to the decrease in principal and interest and fiscal charges paid in 2015.

The decrease in fund balance for the Solid Waste, Bonds and CIP Fund was largely related to major capital outlays for various projects during 2015.

The increase in fund balance for the Street Construction Fund was largely related to the transfers in from the General Fund for street construction projects.

CITY OF OREGON, OHIO

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

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2015 the City had \$111,722,128 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment, vehicles and construction in progress. Of this total, \$63,201,092 was related to governmental activities and \$48,521,036 to business-type activities. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land and Land Improvements	\$13,513,081	\$8,096,076	\$5,417,005
Construction in Progress	6,780,541	8,998,792	(2,218,251)
Buildings and Improvements	9,420,158	8,371,248	1,048,910
Machinery and Equipment	4,626,096	4,068,576	557,520
Vehicles	7,771,893	7,524,477	247,416
Infrastructure	65,575,274	62,375,314	3,199,960
Less: Accumulated Depreciation	(44,485,951)	(42,302,140)	(2,183,811)
Totals	<u>\$63,201,092</u>	<u>\$57,132,343</u>	<u>\$6,068,749</u>

	Business-Type Activities		Increase (Decrease)
	2015	2014	
Land	\$756,016	\$756,016	\$0
Construction in Progress	6,819,098	7,244,225	(425,127)
Buildings and Distribution	92,994,524	84,899,832	8,094,692
Machinery and Equipment	15,723,313	15,681,710	41,603
Vehicles	1,032,756	897,548	135,208
Less: Accumulated Depreciation	(68,804,671)	(66,430,071)	(2,374,600)
Totals	<u>\$48,521,036</u>	<u>\$43,049,260</u>	<u>\$5,471,776</u>

The primary increase occurred in infrastructure for the Governmental Activities. This was due to the construction expenses for the Navarre Avenue Safety Project, Road Program, Energy Improvements Project and Coy/Dustin Intersection Project.

As of December 31, 2015, the City has contractual commitments of \$48,638,120, as listed in Note 16, for various projects. Included in these projects are street improvements, storm drainage, sanitary sewer, improvements to the Waste Water Treatment Plant and intersection improvements. Additional information on the City's capital assets can be found in Note 10.

CITY OF OREGON, OHIO

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

Unaudited

Debt

At December 31, 2015, the City had \$6.9 million in bonds outstanding, \$643,805 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2015 and 2014:

	2015	2014
Governmental Activities:		
General Obligation Bonds	\$6,206,053	\$6,667,361
Special Assessment Bonds	51,000	75,000
Promissory Note	0	23,362
OPWC Loans Payable	1,098,864	1,077,564
Long-Term Loan Payable	1,654,931	0
Pension Liability	43,680	45,101
Workers Compensation Liability	0	72,718
Capital Lease Payable	31,957	62,766
Compensated Absences	2,855,754	2,765,995
Net Pension Liability	16,744,577	14,357,737
Total Governmental Activities	<u>28,686,816</u>	<u>25,147,604</u>
Business-Type Activities:		
General Obligation Bonds	\$637,148	\$875,722
OWDA Loans Payable	20,537,599	21,531,145
OPWC Loans Payable	2,406,621	2,145,643
Compensated Absences	846,018	775,657
Net Pension Liability	2,510,815	2,142,849
Total Business-Type Activities	<u>26,938,201</u>	<u>27,471,016</u>
Totals	<u>\$55,625,017</u>	<u>\$52,618,620</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 respective counties in which the City lies, is limited to ten mills. At December 31, 2015, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

CITY OF OREGON, OHIO

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

Unaudited

ECONOMIC FACTORS

The City's original budget for 2015 utilized conservative revenue estimates with some adjustments in base operating costs. Original General Fund revenues were projected to decrease by almost 4% over the actual receipts for 2014.

Department requests were modified from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or reductions in expenditures, are necessary in order to maintain fiscal stability.

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 419-698-7000 or writing to City of Oregon Finance Department, 5330 Seaman Road, Oregon, Ohio 43616.

CITY OF OREGON, OHIO

Statement of Net Position December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 12,396,424	\$ 1,087,372	\$ 13,483,796
Investments	36,859,141	14,057,469	50,916,610
Receivables:			
Taxes	4,096,559	0	4,096,559
Accounts	270,359	4,310,603	4,580,962
Intergovernmental	1,451,884	176,654	1,628,538
Interest	116,522	0	116,522
Income Taxes	83,577	0	83,577
Special Assessments	1,542,678	1,408,027	2,950,705
Loans	118,562	0	118,562
Internal Balances	(331,893)	331,893	0
Inventory of Supplies at Cost	928,807	453,629	1,382,436
Prepaid Items	1,384,279	10,293	1,394,572
Capital Assets:			
Capital Assets Not Being Depreciated	11,434,349	7,575,114	19,009,463
Capital Assets Being Depreciated, Net	51,766,743	40,945,922	92,712,665
Total Assets	122,117,991	70,356,976	192,474,967
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	0	21,435	21,435
Pension	2,380,363	513,572	2,893,935
Total Deferred Outflows of Resources	2,380,363	535,007	2,915,370
Liabilities:			
Accounts Payable	1,120,454	2,759,780	3,880,234
Accrued Wages and Benefits	615,585	119,262	734,847
Retainage Payable	31,175	382,733	413,908
Accrued Interest Payable	39,916	1,500	41,416
Noncurrent liabilities:			
Due within one year	1,596,729	2,396,041	3,992,770
Net Pension Liability	16,744,577	2,510,815	19,255,392
Due in more than one year	10,345,510	22,031,345	32,376,855
Total Liabilities	30,493,946	30,201,476	60,695,422
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	1,006,760	0	1,006,760
Pension	98,067	44,182	142,249
Total Deferred Inflows of Resources	1,104,827	44,182	1,149,009

(Continued)

CITY OF OREGON, OHIO

	Governmental Activities	Business-Type Activities	Total
Net Position:			
Net Investment in Capital Assets	54,158,287	24,961,103	79,119,390
Restricted For:			
Capital Projects	8,644,394	0	8,644,394
Debt Service	664,374	0	664,374
Street Construction, Maintenance and Repair	703,850	0	703,850
Court Special Projects	339,103	0	339,103
Housing Assistance	110,478	0	110,478
Storm Sewer Project	2,214,977	0	2,214,977
Street Lighting	1,042,668	0	1,042,668
Perpetual Care:			
Nonexpendable	77,709	0	77,709
Other Purposes	2,536,918	0	2,536,918
Unrestricted	22,406,823	15,685,222	38,092,045
Total Net Position	\$ 92,899,581	\$ 40,646,325	\$ 133,545,906

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Activities For the Year Ended December 31, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 12,250,917	\$ 466,253	\$ 26,834	\$ 369,001
Public Health and Welfare Services	662,959	65,660	0	0
Leisure Time Activities	1,220,435	200,845	0	0
Community Environment	1,301,931	244,549	68,472	0
Basic Utility Services	970,058	420	0	189,578
Transportation	5,579,237	57,689	1,089,926	1,442,938
General Government	5,334,735	1,392,537	0	210,435
Interest and Fiscal Charges	286,876	0	0	0
Total Governmental Activities	<u>27,607,148</u>	<u>2,427,953</u>	<u>1,185,232</u>	<u>2,211,952</u>
Business-Type Activities:				
Water	8,314,536	5,631,202	0	6,429,047
Sewer	6,590,071	4,504,289	0	1,945,237
Total Business-Type Activities	<u>14,904,607</u>	<u>10,135,491</u>	<u>0</u>	<u>8,374,284</u>
Totals	<u>\$ 42,511,755</u>	<u>\$ 12,563,444</u>	<u>\$ 1,185,232</u>	<u>\$ 10,586,236</u>

General Revenues

Property Taxes
 Payments in Lieu of Taxes
 Municipal Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings
 Transfers
 Total General Revenues and Transfers

 Change in Net Position

 Net Position Beginning of Year, Restated
 Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (11,388,829)	\$ 0	\$ (11,388,829)
(597,299)	0	(597,299)
(1,019,590)	0	(1,019,590)
(988,910)	0	(988,910)
(780,060)	0	(780,060)
(2,988,684)	0	(2,988,684)
(3,731,763)	0	(3,731,763)
(286,876)	0	(286,876)
<u>(21,782,011)</u>	<u>0</u>	<u>(21,782,011)</u>
0	3,745,713	3,745,713
0	(140,545)	(140,545)
<u>0</u>	<u>3,605,168</u>	<u>3,605,168</u>
<u>(21,782,011)</u>	<u>3,605,168</u>	<u>(18,176,843)</u>
944,157	0	944,157
388,075	0	388,075
20,031,684	0	20,031,684
788,221	0	788,221
901,466	23,699	925,165
(4,065,420)	4,065,420	0
<u>18,988,183</u>	<u>4,089,119</u>	<u>23,077,302</u>
(2,793,828)	7,694,287	4,900,459
<u>95,693,409</u>	<u>32,952,038</u>	<u>128,645,447</u>
<u>\$ 92,899,581</u>	<u>\$ 40,646,325</u>	<u>\$ 133,545,906</u>

CITY OF OREGON, OHIO

Balance Sheet Governmental Funds December 31, 2015

	General	Special Assessment Bond Retirement	Solid Waste, Bonds and CIP	Street Construction
Assets:				
Cash and Cash Equivalents	\$ 2,285,978	\$ 325,847	\$ 128,099	\$ 6,223,481
Investments	29,372,851	0	1,656,050	0
Receivables:				
Taxes	3,222,967	0	334,993	0
Accounts	211,624	0	0	0
Intergovernmental	288,301	0	24,010	648,003
Interest	116,522	0	0	0
Income Taxes	83,577	0	0	0
Special Assessments	16,525	404,042	37,195	0
Loans	0	0	0	0
Interfund Loans Receivables	0	0	0	0
Inventory of Supplies, at Cost	928,807	0	0	0
Prepaid Items	215,984	0	0	0
Total Assets	\$ 36,743,136	\$ 729,889	\$ 2,180,347	\$ 6,871,484
Liabilities:				
Accounts Payable	\$ 191,823	\$ 0	\$ 546,905	\$ 169,757
Accrued Wages and Benefits Payable	555,151	0	0	0
Retainage Payable	0	0	17,141	5,000
Interfund Loans Payable	0	107,405	0	0
Compensated Absences Payable	5,613	0	0	0
Total Liabilities	752,587	107,405	564,046	174,757
Deferred Inflows of Resources:				
Unavailable Amounts	1,131,509	404,042	140,663	597,515
Property Tax for Next Fiscal Year	687,722	0	0	0
Total Deferred Inflows of Resources	1,819,231	404,042	140,663	597,515
Fund Balances:				
Nonspendable	1,144,791	0	0	0
Restricted	0	218,442	1,475,638	6,099,212
Committed	6,629,741	0	0	0
Assigned	4,648,029	0	0	0
Unassigned	21,748,757	0	0	0
Total Fund Balances	34,171,318	218,442	1,475,638	6,099,212
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 36,743,136	\$ 729,889	\$ 2,180,347	\$ 6,871,484

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 2,698,938	\$ 11,662,343
5,238,634	36,267,535
538,599	4,096,559
58,735	270,359
491,570	1,451,884
0	116,522
0	83,577
1,084,916	1,542,678
118,562	118,562
105,943	105,943
0	928,807
1,158,715	1,374,699
<u>\$ 11,494,612</u>	<u>\$ 58,019,468</u>
\$ 210,959	\$ 1,119,444
60,434	615,585
9,034	31,175
123,999	231,404
0	5,613
<u>404,426</u>	<u>2,003,221</u>
1,561,620	3,835,349
319,038	1,006,760
<u>1,880,658</u>	<u>4,842,109</u>
1,236,424	2,381,215
6,202,023	13,995,315
1,890,072	8,519,813
0	4,648,029
(118,991)	21,629,766
<u>9,209,528</u>	<u>51,174,138</u>
<u>\$ 11,494,612</u>	<u>\$ 58,019,468</u>

CITY OF OREGON, OHIO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2015

Total Governmental Fund Balances		\$ 51,174,138
<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.		63,201,092
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Municipal Income Taxes	937,945	
Property Taxes	44,881	
Charges for Services	118,562	
Interest Revenues	86,336	
Special Assessments	1,542,678	
Intergovernmental	<u>1,104,947</u>	3,835,349
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,380,363	
Deferred Inflows - Pension	(98,067)	
Net Pension Liability	<u>(16,744,577)</u>	(14,462,281)
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds: it is reported when due.		(39,916)
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.		1,127,825
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Special Assessment Bond Payable	(51,000)	
General Obligation Bonds Payable	(6,073,805)	
Ohio Public Works Commission Loan Payable	(1,098,864)	
Long-Term Loan Payable	(1,654,931)	
Accrued Pension Liability	(43,680)	
Premium on General Obligation Bonds Payable	(132,248)	
Capital Leases Payable	(31,957)	
Compensated Absences Payable	<u>(2,850,141)</u>	<u>(11,936,626)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 92,899,581</u>

See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2015

	General	Special Assessment Bond Retirement	Solid Waste, Bonds and CIP	Street Construction
Revenues:				
Property Taxes	\$ 642,069	\$ 0	\$ 0	\$ 0
Payments in Lieu of Taxes	0	0	0	0
Municipal Income Taxes	16,318,902	0	2,276,738	0
Intergovernmental Revenues	583,555	0	188,017	399,155
Charges for Services	1,911,004	0	54,880	0
Licenses, Permits and Fees	232,915	0	0	0
Investment Earnings	903,583	0	0	0
Special Assessments	168,100	158,800	12,829	0
Fines and Forfeitures	291,145	0	0	0
Donations	0	0	0	0
All Other Revenue	242,390	0	10,069	0
Total Revenue	21,293,663	158,800	2,542,533	399,155
Expenditures:				
Current:				
Security of Persons and Property	9,676,647	0	0	0
Public Health and Welfare Services	626,434	0	0	0
Leisure Time Activities	12,100	0	0	0
Community Environment	826,657	0	0	0
Basic Utility Services	0	0	0	0
Transportation	3,205,834	0	0	0
General Government	4,108,012	0	0	0
Capital Outlay	0	0	7,093,212	2,343,323
Debt Service:				
Principal Retirement	30,809	24,000	0	0
Interest & Fiscal Charges	1,885	13,392	0	0
Total Expenditures	18,488,378	37,392	7,093,212	2,343,323
Excess (Deficiency) of Revenues Over Expenditures	2,805,285	121,408	(4,550,679)	(1,944,168)
Other Financing Sources (Uses):				
Sale of Capital Assets	200	0	0	0
OPWC Loans Issued	0	0	0	80,243
Long-Term Loans Issued	0	0	1,751,175	0
Transfers In	0	0	2,407,747	5,234,155
Transfers Out	(12,369,264)	0	(2,540,296)	0
Total Other Financing Sources (Uses)	(12,369,064)	0	1,618,626	5,314,398
Net Change in Fund Balances	(9,563,779)	121,408	(2,932,053)	3,370,230
Fund Balances at Beginning of Year, Restated	43,460,472	97,034	4,407,691	2,728,982
Increase in Inventory Reserve	274,625	0	0	0
Fund Balances End of Year	\$ 34,171,318	\$ 218,442	\$ 1,475,638	\$ 6,099,212

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 312,881	\$ 954,950
388,075	388,075
1,153,528	19,749,168
1,949,690	3,120,417
308,888	2,274,772
0	232,915
255	903,838
569,906	909,635
200,374	491,519
26,394	26,394
296,773	549,232
<u>5,206,764</u>	<u>29,600,915</u>
1,791,913	11,468,560
14,864	641,298
1,074,946	1,087,046
457,358	1,284,015
985,872	985,872
998,628	4,204,462
63,253	4,171,265
207,701	9,644,236
632,079	686,888
253,457	268,734
<u>6,480,071</u>	<u>34,442,376</u>
(1,273,307)	(4,841,461)
0	200
0	80,243
0	1,751,175
3,405,220	11,047,122
(202,982)	(15,112,542)
<u>3,202,238</u>	<u>(2,233,802)</u>
1,928,931	(7,075,263)
7,280,597	57,974,776
0	274,625
<u>\$ 9,209,528</u>	<u>\$ 51,174,138</u>

CITY OF OREGON, 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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (7,075,263)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	8,638,957	
Depreciation	<u>(2,556,392)</u>	6,082,565

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.

(13,816)

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

Municipal Income Taxes	282,516	
Property Taxes	(10,793)	
All Other Revenue	(12,942)	
Interest	(2,372)	
Special Assessments	(1,628,343)	
Intergovernmental	<u>649,559</u>	(722,375)

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

1,601,605

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

(1,706,149)

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

General Obligation Bonds Principal	453,530	
Amortization of Premium on G.O. Bonds	7,778	
Special Assessment Bonds Principal	24,000	
Promisory NotePrincipal	23,362	
OPWC Loans Principal	58,943	
OPWC Loan Issued	(80,243)	
Long-Term Loan Issued	(1,751,175)	
Long-Term Loan Principal	96,244	
Capital Lease Principal	30,809	
Ohio Police and Fire Principal Payment	<u>1,421</u>	(1,135,331)

(Continued)

CITY OF OREGON, OHIO

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

Accrued Interest Payable		(25,920)
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Supplies Inventory	274,625	
Increase in Compensated Absences Payable	<u>(84,146)</u>	190,479

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

	<u>10,377</u>
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Change in Net Position of Governmental Activities

	<u>\$ (2,793,828)</u>
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See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 725,100	\$ 725,100	\$ 642,069	\$ (83,031)
Municipal Income Taxes	16,164,614	16,164,614	17,146,816	982,202
Intergovernmental Revenue	591,360	591,360	598,206	6,846
Charges for Services	1,998,426	1,998,426	1,905,318	(93,108)
Licenses, Permits and Fees	229,596	229,596	233,839	4,243
Investment Earnings	600,000	600,000	776,988	176,988
Special Assessments	3,300	3,300	168,100	164,800
Fines and Forfeitures	225,000	225,000	291,594	66,594
All Other Revenues	80,000	80,000	180,532	100,532
Total Revenues	20,617,396	20,617,396	21,943,462	1,326,066
Expenditures:				
Current:				
Security of Persons and Property	9,880,210	10,490,079	10,068,390	421,689
Public Health and Welfare Services	687,368	696,601	642,586	54,015
Leisure Time Activities	12,100	12,100	12,100	0
Community Environment	732,820	914,044	869,065	44,979
Transportation	3,256,210	3,902,577	3,559,867	342,710
General Government	4,910,136	5,496,341	5,240,800	255,541
Debt Service:				
Principal Retirement	30,810	30,810	30,809	1
Interest and Fiscal Charges	1,886	1,886	1,885	1
Total Expenditures	19,511,540	21,544,438	20,425,502	1,118,936
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,105,856	(927,042)	1,517,960	2,445,002
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	200	(800)
Transfers Out	(5,303,642)	(12,456,098)	(12,370,764)	85,334
Total Other Financing Sources (Uses):	(5,302,642)	(12,455,098)	(12,370,564)	84,534
Net Change In Fund Balance	(4,196,786)	(13,382,140)	(10,852,604)	2,529,536
Fund Balance at Beginning of Year	41,449,805	41,449,805	41,449,805	0
Prior Year Encumbrances	503,967	503,967	503,967	0
Fund Balance at End of Year	\$ 37,756,986	\$ 28,571,632	\$ 31,101,168	\$ 2,529,536

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Net Position Proprietary Funds December 31, 2015

	Business-Type Activities Enterprise Funds			Governmental
	Water	Sewer	Total	Activities - Internal Service Funds
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 539,346	\$ 548,026	\$ 1,087,372	\$ 734,081
Investments	6,972,633	7,084,836	14,057,469	591,606
Accounts receivable (net of allow for uncollectibles)	3,430,202	880,401	4,310,603	0
Intergovernmental receivable	114,950	61,704	176,654	0
Special Assessments receivable	0	1,408,027	1,408,027	0
Interfund Loans Receivable	36,723	88,738	125,461	0
Inventory of Supplies at Cost	444,706	8,923	453,629	0
Prepaid Items	10,293	0	10,293	9,580
Total current assets	11,548,853	10,080,655	21,629,508	1,335,267
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	40,336,159	70,170,450	110,506,609	0
Construction in Progress	6,757,973	61,125	6,819,098	0
Less accumulated depreciation	(23,597,806)	(45,206,865)	(68,804,671)	0
Total capital assets (net of accumulated depr)	23,496,326	25,024,710	48,521,036	0
Total noncurrent assets	23,496,326	25,024,710	48,521,036	0
Total assets	35,045,179	35,105,365	70,150,544	1,335,267
Deferred Outflows of Resources:				
Deferred Charge on Debt Refunding	0	21,435	21,435	0
Pension	295,758	217,814	513,572	0
Total Deferred Outflows of Resources	295,758	239,249	535,007	0
LIABILITIES				
Current liabilities:				
Accounts Payable	2,345,001	414,779	2,759,780	1,010
Accrued Wages and Benefits	69,849	49,413	119,262	0
Retainage Payable	308,577	74,156	382,733	0
Accrued Interest Payable	0	1,500	1,500	0
Compensated Absences Payable - Current	165,590	99,621	265,211	0
General Obligation Bonds Payable - Current	0	220,000	220,000	0
OWDA Loans Payable - Current	893,234	819,934	1,713,168	0
OPWC Loans Payable - Current	141,046	78,695	219,741	0
Total Current Liabilities	3,923,297	1,758,098	5,681,395	1,010

(Continued)

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Noncurrent Liabilities:				
General Obligation Bonds Payable	0	417,148	417,148	0
OWDA Loans Payable	7,377,651	11,446,780	18,824,431	0
OPWC Loans Payable	1,145,492	1,041,388	2,186,880	0
Net Pension Liability	1,387,053	1,123,762	2,510,815	0
Compensated Absences Payable	303,339	277,468	580,807	0
Total noncurrent liabilities	10,213,535	14,306,546	24,520,081	0
Total Liabilities	14,136,832	16,064,644	30,201,476	1,010
Deferred Inflows of Resources:				
Pension	25,448	18,734	44,182	0
NET POSITION				
Net Investment in Capital Assets	13,938,903	9,955,226	23,894,129	0
Unrestricted	7,239,754	9,306,010	16,545,764	1,334,257
Total Net Position	\$ 21,178,657	\$ 19,261,236	\$ 40,439,893	\$ 1,334,257
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			206,432	
Net Position of Business-type Activities			\$ 40,646,325	

See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 4,853,708	\$ 4,492,030	\$ 9,345,738	\$ 65,422
Other Charges for Services	4,372	12,259	16,631	0
Other Operating Revenues	771,922	0	771,922	20,019
Total Operating Revenues	5,630,002	4,504,289	10,134,291	85,441
Operating Expenses:				
Personal Services	2,331,718	2,006,895	4,338,613	67,909
Contractual Services	3,564,139	2,118,041	5,682,180	0
Materials and Supplies	801,743	78,611	880,354	0
Utilities	387,938	390,106	778,044	0
Depreciation	891,285	1,552,507	2,443,792	0
Total Operating Expenses	7,976,823	6,146,160	14,122,983	67,909
Operating Income (Loss)	(2,346,821)	(1,641,871)	(3,988,692)	17,532
Non-Operating Revenue (Expenses):				
Interest Income	23,699	0	23,699	0
Interest and Fiscal Charges	(347,633)	(441,146)	(788,779)	0
Sale of Capital Assets	1,200	0	1,200	0
Total Non-Operating Revenues (Expenses)	(322,734)	(441,146)	(763,880)	0
Income (Loss) Before Contributions and Transfers	(2,669,555)	(2,083,017)	(4,752,572)	17,532
Capital Contributions	6,429,047	1,945,237	8,374,284	0
Transfers In	2,124,220	1,966,326	4,090,546	0
Transfers Out	(25,126)	0	(25,126)	0
Change in Net Position	5,858,586	1,828,546	7,687,132	17,532
Net Position Beginning of Year, Restated	15,320,071	17,432,690	32,752,761	1,316,725
Net Position End of Year	\$ 21,178,657	\$ 19,261,236	\$ 40,439,893	\$ 1,334,257
Change in Net Position - Total Enterprise Funds			7,687,132	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			7,155	
Change in Net Position - Business-type Activities			<u>\$ 7,694,287</u>	

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Totals	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$2,819,310	\$4,325,951	\$7,145,261	\$85,441
Cash Payments for Goods and Services	(4,462,919)	(2,458,321)	(6,921,240)	0
Cash Payments to Employees	(2,379,869)	(2,068,145)	(4,448,014)	(145,472)
Net Cash Provided (Used) by Operating Activities	(4,023,478)	(200,515)	(4,223,993)	(60,031)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	2,124,220	1,966,326	4,090,546	0
Transfers Out to Other Funds	(25,126)	0	(25,126)	0
Net Cash Provided by Noncapital Financing Activities	2,099,094	1,966,326	4,065,420	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Intergovernmental Grants	24,859	0	24,859	0
Acquisition and Construction of Assets	(4,652,161)	(1,377,373)	(6,029,534)	0
Sale of Capital Assets	1,200	0	1,200	0
Capital Contributions	6,289,238	2,235,340	8,524,578	0
Principal Paid on General Obligation Bonds	0	(220,000)	(220,000)	0
Ohio Water Development Authority Loans Issued	0	632,735	632,735	0
Ohio Public Works Commission Loans Issued	0	456,369	456,369	0
Principal Paid on				
Ohio Water Development Authority Loans	(822,264)	(804,017)	(1,626,281)	0
Principal Paid on				
Ohio Public Works Commission Loan	(141,046)	(54,345)	(195,391)	0
Interest Paid on All Debt	(347,633)	(453,125)	(800,758)	0
Net Cash Provided by Noncapital Financing Activities	352,193	415,584	767,777	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	44,491	0	44,491	(39,504)
Purchase of Investments	0	(2,890,648)	(2,890,648)	0
Receipts of Interest	23,699	0	23,699	0
Net Cash Provided (Used) by Investing Activities	68,190	(2,890,648)	(2,822,458)	(39,504)
Net Decrease in Cash and Cash Equivalents	(1,504,001)	(709,253)	(2,213,254)	(99,535)
Cash and Cash Equivalents at Beginning of Year	2,043,347	1,257,279	3,300,626	833,616
Cash and Cash Equivalents at End of Year	\$539,346	\$548,026	\$1,087,372	\$734,081

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Water	Sewer	Totals	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash				
<u>Provided (Used) for Operating Activities:</u>				
Operating Income (Loss)	(\$2,346,821)	(\$1,641,871)	(\$3,988,692)	\$17,532
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Depreciation Expense	891,285	1,552,507	2,443,792	0
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(2,856,536)	(342,782)	(3,199,318)	0
Decrease in Special Assessments Receivable	45,844	164,444	210,288	0
Decrease (Increase) in Inventory	17,456	(754)	16,702	0
Decrease (Increase) in Prepaid Items	30,743	31,849	62,592	(5,255)
Increase in Deferred Outflows of Resources	(295,758)	(217,814)	(513,572)	0
Increase in Accounts Payable	242,702	97,342	340,044	410
Decrease in Accrued Wages and Benefits	(38,077)	(40,261)	(78,338)	0
Decrease in Workers' Compensation Liability	0	0	0	(72,718)
Increase in Net Pension Liability	211,942	156,024	367,966	0
Increase in Deferred Inflows of Resources	25,448	18,734	44,182	0
Increase in Compensated Absences	48,294	22,067	70,361	0
Total Adjustments	(1,676,657)	1,441,356	(235,301)	(77,563)
Net Cash Provided (Used) by Operating Activities	(\$4,023,478)	(\$200,515)	(\$4,223,993)	(\$60,031)

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2015, the Water and the Sewer Funds had outstanding liabilities of \$2,290,419 and \$349,337, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

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

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 103,687
Total Assets	<u>\$ 103,687</u>
Liabilities:	
Intergovernmental Payable	94,759
Due to Others	<u>8,928</u>
Total Liabilities	<u>\$ 103,687</u>

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oregon, Ohio (the "City") is a home rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1958 and has been amended several times, most recently in 2002.

A. Reporting Entity

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2015 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

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

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:

B. Basis of Presentation - Fund Accounting

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:

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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.

Special Assessment Bond Retirement Fund – This fund is used to accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment bonds.

Solid Waste, Bonds and CIP Fund – This fund is used to account for revenues received from various sources to be used for construction projects within the City.

Street Construction Fund – This fund is used to account for revenues received from various sources to be used for street construction projects within the City.

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.

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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 three internal service funds, the Self Insurance Dental / Emergency Room Fund, the Workers' Compensation Fund and the Medical Spending Fund. These funds are used to account for monies received from city departments to cover the costs related to the self insurance program, potential liabilities for workers' compensation and for deposits from the employees into the medical cafeteria plan.

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. The City has five agency funds. 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 five funds are the Unclaimed Monies Fund, which is used to account for unclaimed monies, the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Ohio Board of Building Standards Assessment Fund, which accounts for assessed funds as required by the Ohio Revised Code, the Income Tax Joint District Fund, which accounts for income tax funds to be distributed between the City of Oregon and the City of Northwood and the Lucas County Water Collection Fund, which accounts for a portion of the revenue from Lucas County users of the City of Oregon's water.

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 activity of the internal service funds is 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 and the accrual basis of accounting. 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.

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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. Certain indirect costs are included in the program expenses reported for individual functions and activities.

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.

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 reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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. 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 general 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. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments, special assessment, and state levied locally shared taxes (including motor vehicle license fees, and local government assistance). Other revenues, including licenses, permits, certain charges for services and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2015, but which are not intended to finance 2015 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 7.

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 are recognized when they are incurred. Government-Wide Statements are also prepared using the accrual basis of accounting.

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, state levied shared taxes, interest and other revenues. 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 OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

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 allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council.

1. 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 statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2015.

2. 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 legal level. 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 departments and objects within a fund may be modified during the year only by an ordinance of City Council. During 2015 several supplemental appropriations were necessary to budget the use of contingency funds, major capital improvement projects and intergovernmental grant proceeds. 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—for the 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 OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

3. 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 constrain 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.

4. 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.

5. 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 the 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 a 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 OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	<u>Net Change In Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$9,563,779)
Increase (Decrease):	
Accrued Revenues at December 31, 2015 received during 2016	(2,120,285)
Accrued Revenues at December 31, 2014 received during 2015	2,107,774
Accrued Expenditures at December 31, 2015 paid during 2016	752,587
Accrued Expenditures at December 31, 2014 paid during 2015	(1,077,973)
2014 Adjustment to Fair Value	(338,115)
2015 Adjustment to Fair Value	180,128
2014 Prepays for 2015	135,348
2015 Prepays for 2016	(215,984)
Outstanding Encumbrances	(711,969)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(336)
Budget Basis	<u><u>(\$10,852,604)</u></u>

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, short-term certificates of deposit and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements. The certificates of deposit are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Cash Equivalents (Continued)

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."

H. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the Oregon Municipal Code. 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 investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. 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 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2015.

I. Inventory

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

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*”, has been reported.

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, curbs and gutters, 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.

2. Property, Plant and Equipment – Business Type Activities

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 and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	20 - 40
Improvements other than Buildings/Infrastructure	10 - 50
Machinery, Equipment, Furniture and Fixtures	3 - 10

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 Sewer Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Ohio Water Development Authority Loans	Special Assessment Bond Retirement Fund Sewer Fund, Water Fund
Ohio Public Works Commission Loan	General Obligation Bond Retirement Fund Sewer Fund, Water Fund
Workers Compensation Liability	Workers Compensation Fund
Promissory Notes	General Obligation Bond Retirement Fund
Police and Firemen's Pension Accrued Liability	General Fund
Compensated Absences	General Fund Emergency Medical Services Operating Fund Recreation Fund, Water Fund, Sewer Fund

M. Compensated Absences

All full-time City employees earn vacation at varying rates based upon length of service. Carryovers are allowed by contracts up to 40 hours for bargaining contracts and 120 hours for non-bargaining legislation. Any additions require legislative approval. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance.

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the City's service, an employee receives one hour of monetary compensation for each two hours of unused sick leave. The monetary compensation is equal to the hourly rate of compensation of the employee at the time of retirement.

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 OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. Net Position

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

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

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CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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.

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 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) 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.

CITY OF OREGON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions

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

Q. 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.

R. 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.

S. 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 and maintenance of storm water collection systems. 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

CITY OF OREGON, OHIO

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE, CORRECTION OF AN ACCOUNTING ERROR AND RESTATEMENT OF NET POSITION

In 2015 the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

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

In October of 2015 the City issued an income tax refund to a large industrial employer (the employer) in the amount of \$12 million dollars. The employer had paid estimated taxes on their 2014 wages and had significantly overpaid; as a result, they agreed to a refund of \$12 million dollars, and left a remaining carryover balance of \$999,233, which would be used to offset future taxes. The City’s income tax receipts are allocated between the General Fund, the Solid Waste, Bonds and CIP Fund, the Storm Sewer Project Fund (which is reported as part of RFI on the financial statements), and the Income Tax Fund (which is reported as part of the General Fund on the financial statements). Given the dollar amount of the refund, the refund was issued from all of these funds. Because of the significant dollar amount involved, and the time period the refund related to, the amount refunded should have been applied against the 2014 income tax receipts, resulting in a reduction in the fund balance of each of the funds involved.

We also noted the City has manuscript debt related to multiple projects. Payments on the debt are classified as Miscellaneous Revenues in the recipient funds and as Principal Retirement in the payer funds. These amounts were not recorded as Interfund Receivables and Payables during the prior audit. To properly present the outstanding balances of the manuscript debt, it is necessary to restate the beginning balance at January 1, 2015.

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

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Net Position December 31, 2014	\$122,280,511	\$34,865,520	\$16,415,929	\$18,250,314
Adjustments:				
Net Pension Liability	(15,951,154)	(2,453,409)	(1,345,418)	(1,107,991)
Deferred Outflows -				
Payments Subsequent to Measurement Date	1,593,419	310,560	170,307	140,253
Income Tax Refund	(12,000,000)	0	0	0
Internal Balances	(229,367)	229,367	79,253	150,114
Restated Net Position December 31, 2014	<u>\$95,693,409</u>	<u>\$32,952,038</u>	<u>\$15,320,071</u>	<u>\$17,432,690</u>

CITY OF OREGON, OHIO

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

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE, CORRECTION OF AN ACCOUNTING ERROR AND RESTATEMENT OF NET POSITION (Continued)

	General Fund	Solid Waste, Bonds and CIP Fund	Nonmajor Governmental Funds
Net Position December 31, 2014	\$53,460,072	\$5,729,899	\$7,977,269
Adjustments:			
Income Tax Refund	(9,999,600)	(1,333,200)	(667,200)
Internal Balances	0	10,992	(29,472)
Restated Net Position December 31, 2014	<u>\$43,460,472</u>	<u>\$4,407,691</u>	<u>\$7,280,597</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficits at December 31, 2015 of \$38,870 in the EMS Operating Fund and \$80,121 in the Cedar Point TIF Fund (special revenue funds) 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 OREGON, OHIO

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

NOTE 4 – 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 activities 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 Income Tax Revenue	\$937,945
Delinquent Property Tax Revenue	44,881
Shared Revenues	1,104,947
Interest Revenues	86,336
All Other Revenue	118,562
Special Assessment Revenue	<u>1,542,678</u>
	\$3,835,349

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$51,000)
General Obligation Bonds Payable	(6,073,805)
OPWC Loans Payable	(1,098,864)
Long-Term Note Payable	(1,654,931)
Accrued Pension Liability	(43,680)
Accrued Interest on Long-Term Debt	(39,916)
Premium on Bonds Issued	(132,248)
Capital Leases Payable	(31,957)
Compensated Absences Payable	<u>(2,850,141)</u>
	(\$11,976,542)

CITY OF OREGON, OHIO

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

NOTE 4 – 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 capital outlay exceeded depreciation in the current period:

Capital Outlay	\$8,638,957
Depreciation Expense	<u>(2,556,392)</u>
	\$6,082,565

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$282,516
Decrease in Delinquent Property Tax	(10,793)
Increase in Shared Revenue	649,559
Decrease in All Other Revenues	(12,942)
Decrease in Interest Revenue	(2,372)
Decrease in Special Assessment Revenue	<u>(1,628,343)</u>
	(\$722,375)

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$84,146)
Increase in supplies inventory	<u>274,625</u>
	\$190,479

CITY OF OREGON, OHIO

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

NOTE 5 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Special Assessment Bond Retirement Fund	Solid Waste, Bonds and CIP Fund	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Principal	\$0	\$0	\$0	\$0	\$77,709	\$77,709
Prepaid Items	215,984	0	0	0	1,158,715	1,374,699
Supplies Inventory	928,807	0	0	0	0	928,807
Total Nonspendable	1,144,791	0	0	0	1,236,424	2,381,215
Restricted:						
Special Assessment Debt Service Payments	0	218,442	0	0	0	218,442
Street Construction and Maintenance	0	0	0	0	429,789	429,789
State Highway Improvement	0	0	0	0	47,180	47,180
Permissive Auto Tax	0	0	0	0	140,279	140,279
Drug Law Enforcement and Education	0	0	0	0	9,241	9,241
Police Grants	0	0	0	0	24,404	24,404
Police Levy	0	0	0	0	174,227	174,227
Drug Law Enforcement	0	0	0	0	94,472	94,472
DUI and Seatbelt Grant	0	0	0	0	18,740	18,740
Fire Operation	0	0	0	0	734,766	734,766
Indigent Drivers Alcohol Treatment	0	0	0	0	75,553	75,553
City Recreation	0	0	0	0	100,291	100,291
Legal Computer Research	0	0	0	0	196,824	196,824
Court Special Projects	0	0	0	0	339,103	339,103
Probation Services	0	0	0	0	74,636	74,636
IDIAMF	0	0	0	0	32,110	32,110
Community Development Block Grant	0	0	0	0	69,303	69,303
Housing Assistance	0	0	0	0	110,478	110,478
Local Law Enforcement Block Grant	0	0	0	0	191	191
Cedar Point Development	0	0	0	0	488,728	488,728
Revolving Loan	0	0	0	0	80,352	80,352
FEMA	0	0	0	0	5	5
Solid Waste	0	0	1,475,638	0	0	1,475,638
Storm Sewer Projects	0	0	0	0	2,177,342	2,177,342
Street Lighting	0	0	0	0	351,793	351,793
Sewer Maintenance	0	0	0	0	72,047	72,047
Street Construction	0	0	0	6,099,212	0	6,099,212
Street, Recreation and Building	0	0	0	0	322,241	322,241
General Bond Retirement	0	0	0	0	37,928	37,928
Total Restricted	0	218,442	1,475,638	6,099,212	6,202,023	13,995,315

CITY OF OREGON, OHIO

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

NOTE 5 – FUND BALANCE CLASSIFICATION (Continued)

Fund Balances	General Fund	Special Assessment Bond Retirement Fund	Solid Waste, Bonds and CIP Fund	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Committed:						
Budget Stabilization	6,000,000	0	0	0	0	6,000,000
Payroll Stabilization	629,741	0	0	0	0	629,741
Fire Operation	0	0	0	0	34,796	34,796
City Recreation	0	0	0	0	246,449	246,449
Hazardous Waste	0	0	0	0	320,662	320,662
Fire Pumper	0	0	0	0	59,263	59,263
Parkland Acquisition	0	0	0	0	200,126	200,126
StormSewer Construction	0	0	0	0	1,023,031	1,023,031
Economic Development	0	0	0	0	5,745	5,745
Total Committed	<u>6,629,741</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,890,072</u>	<u>8,519,813</u>
Assigned:						
Fiscal Year 2015 Appropriations	4,082,372	0	0	0	0	4,082,372
Purchase Orders	565,657	0	0	0	0	565,657
Unassigned (deficit)	21,748,757	0	0	0	(118,991)	21,629,766
Total Fund Balances	<u>\$34,171,318</u>	<u>\$218,442</u>	<u>\$1,475,638</u>	<u>\$6,099,212</u>	<u>\$9,209,528</u>	<u>\$51,174,138</u>

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CITY OF OREGON, OHIO

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

NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 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).

CITY OF OREGON, OHIO

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

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

A. Deposits

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

At year end the carrying amount of the City's deposits was \$16,586,550 and the bank balance was \$17,604,054. The Federal Deposit Insurance Corporation (FDIC) covered \$7,310,757 of the bank balance and \$10,293,297 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$10,293,297</u>
Total Balance	<u><u>\$10,293,297</u></u>

Investment earnings of \$458,759 earned by other funds were credited to the General Fund as required by local statute.

B. Investments

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

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
FHLB	\$5,994,150	AA+ ¹ / Aaa ²	\$1,003,270	\$1,987,240	\$3,003,640
FHLMC	15,789,487	AA+ ¹ / Aaa ²	0	4,241,489	11,547,998
FNMA	14,971,381	AA+ ¹ / Aaa ²	0	14,971,381	0
FFCB	3,494,520	AA+ ¹ / Aaa ²	0	3,494,520	0
Negotiable CD's	7,667,072	AA+ ¹	249,945	5,429,135	1,987,992
STAR Ohio	933	AAAm ¹	933	0	0
Total Investments	<u>\$47,917,543</u>		<u>\$1,254,148</u>	<u>\$30,123,765</u>	<u>\$16,539,630</u>

¹ Standard & Poor's

² Moody's Investor Service

CITY OF OREGON, OHIO

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

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

B. Investments (Continued)

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 investments in FHLB, FHLMC, FNMA and FFCB securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Investments in Star Ohio were rated AAAM by Standard & Poor’s.

Custodial Credit Risk – The City’s investments in FHLB, FHLMC, FNMA and FFCB securities in the amounts of \$5,994,150, \$15,789,487, \$14,971,381 and \$3,494,520, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 13% are FHLB, 33% are FHLMC, 31% are FNMA, 7% are FFCB, less than 1% is Star Ohio and 16% are negotiable CD’s.

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$13,587,483	\$50,916,610
Certificates of Deposit (with maturities of more than 3 months)	3,000,000	(3,000,000)
Investments:		
STAR Ohio	(933)	933
Per Footnote	<u>\$16,586,550</u>	<u>\$47,917,543</u>

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 2015 were levied after October 1, 2014 on assessed values as of January 1, 2014, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2012 and the equalization adjustment was completed in 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 31; the remainder is payable by July 31.

CITY OF OREGON, OHIO

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

NOTE 7 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real 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 Lucas County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Oregon. The County Auditor periodically remits to the City its portion of the taxes collected.

The full property tax rate for all City operations for the year ended December 31, 2015 was \$2.50 per \$1,000 of assessed value. The assessed value upon which the 2015 tax receipts were based was \$425,639,800. This amount constitutes \$395,773,350 in real property assessed value and \$29,866,450 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 0.250% (2.50 mills) of assessed value.

B. Income Tax

The City levies a tax of 2.25% 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 the total amount assessed. Employers within the City are required to withhold income tax on employee 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.

CITY OF OREGON, OHIO

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015 consisted of taxes, interest, loans, accounts receivable, special assessments and intergovernmental receivables.

NOTE 9 - TRANSFERS

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

Transfers Out:	Transfers In:					Total
	Solid Waste, Bonds and CIP Fund	Street Construction Fund	Other Governmental Funds	Water Fund	Sewer Fund	
General Fund	\$2,407,747	\$2,693,859	\$3,202,238	\$2,124,220	\$1,941,200	\$12,369,264
Solid Waste, Bonds and CIP	0	2,540,296	0	0	0	2,540,296
Other Governmental Funds	0	0	202,982	0	0	202,982
Water Fund	0	0	0	0	25,126	25,126
	<u>\$2,407,747</u>	<u>\$5,234,155</u>	<u>\$3,405,220</u>	<u>\$2,124,220</u>	<u>\$1,966,326</u>	<u>\$15,137,668</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Transfers of \$11,072,248 were eliminated on the entity-wide statement of activities since they were within the governmental and business-type activities.

CITY OF OREGON, OHIO

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

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

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

Historical Cost:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$4,653,808	\$0	\$0	\$4,653,808
Construction in Progress	8,998,792	5,187,330	(7,405,581)	6,780,541
Subtotal	13,652,600	5,187,330	(7,405,581)	11,434,349
<i>Capital assets being depreciated:</i>				
Land Improvements	3,442,268	5,417,005	0	8,859,273
Buildings and Improvements	8,371,248	1,048,910	0	9,420,158
Machinery and Equipment	4,068,576	638,400	(80,880)	4,626,096
Vehicles	7,524,477	519,775	(272,359)	7,771,893
Infrastructure	62,375,314	3,233,118	(33,158)	65,575,274
Subtotal	85,781,883	10,857,208	(386,397)	96,252,694
Total Cost	\$99,434,483	\$16,044,538	(\$7,791,978)	\$107,687,043

Accumulated Depreciation:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Land Improvements	(\$2,039,306)	(\$193,789)	\$0	(\$2,233,095)
Buildings and Improvements	(5,664,395)	(199,978)	0	(5,864,373)
Machinery and Equipment	(3,016,912)	(225,643)	67,064	(3,175,491)
Vehicles	(5,504,358)	(571,466)	272,359	(5,803,465)
Infrastructure	(26,077,169)	(1,365,516)	33,158	(27,409,527)
Total Depreciation	(\$42,302,140)	(\$2,556,392) *	\$372,581	(\$44,485,951)
<i>Net Value:</i>	\$57,132,343			\$63,201,092

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$466,140
Public Health and Welfare Services	20,209
Leisure Time Activities	136,930
Community Environment	18,844
Transportation	1,742,919
General Government	171,350
Total Depreciation Expense	\$2,556,392

CITY OF OREGON, OHIO

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

NOTE 10 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2015:

Historical Cost:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$756,016	\$0	\$0	\$756,016
Construction in Progress	7,244,225	7,644,623	(8,069,750)	6,819,098
Subtotal	8,000,241	7,644,623	(8,069,750)	7,575,114
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	84,899,832	8,094,692	0	92,994,524
Machinery and Equipment	15,681,710	51,829	(10,226)	15,723,313
Vehicles	897,548	194,174	(58,966)	1,032,756
Subtotal	101,479,090	8,340,695	(69,192)	109,750,593
Total Cost	\$109,479,331	\$15,985,318	(\$8,138,942)	\$117,325,707

Accumulated Depreciation:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
Buildings and Distributions	(\$60,353,988)	(\$2,283,689)	\$0	(\$62,637,677)
Machinery and Equipment	(5,273,044)	(130,257)	10,226	(5,393,075)
Vehicles	(803,039)	(29,846)	58,966	(773,919)
Total Depreciation	(\$66,430,071)	(\$2,443,792)	\$69,192	(\$68,804,671)
<i>Net Value:</i>	\$43,049,260			\$48,521,036

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,146,021 for 2015.

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

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

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

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

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

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

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$834,966 for 2015.

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,097,111	\$11,158,281	\$19,255,392
Proportion of the Net Pension Liability	0.067134%	0.2153935%	
Pension Expense	\$894,905	\$1,089,202	\$1,984,107

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$432,037	\$480,911	\$912,948
City contributions subsequent to the measurement date	<u>1,146,021</u>	<u>834,966</u>	<u>1,980,987</u>
Total Deferred Outflows of Resources	<u><u>\$1,578,058</u></u>	<u><u>\$1,315,877</u></u>	<u><u>\$2,893,935</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$142,249</u>	<u>\$0</u>	<u>\$142,249</u>

\$1,980,987 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$42,374	\$120,228	\$162,602
2017	42,374	120,228	162,602
2018	97,031	120,228	217,259
2019	<u>108,009</u>	<u>120,227</u>	<u>228,236</u>
Total	<u><u>\$289,788</u></u>	<u><u>\$480,911</u></u>	<u><u>\$770,699</u></u>

Actuarial Assumptions - OPERS

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

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

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

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City’s proportionate share of the net pension liability	\$14,896,363	\$8,097,111	\$2,370,502

Actuarial Assumptions – OPF

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

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

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

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

* levered 2x

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

CITY OF OREGON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	1% Decrease 7.25%	Current Discount Rate 8.25%	1% Increase 9.25%
City's proportionate share of the net pension liability	\$15,433,591	\$11,158,281	\$7,538,394

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

CITY OF OREGON, OHIO

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, local government employers contributed at a rate of 14.0% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

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

The City’s contributions for health care to the OPERS for the years ending December 31, 2015, 2014, and 2013 were \$185,351, \$171,600 and \$81,006, respectively, which were equal to the required contributions for each year.

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 post-employment 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.

CITY OF OREGON, OHIO

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

The City’s contributions for health care to the OP&F for the years ending December 31, 2015, 2014, and 2013 were \$15,944, \$17,935 and \$118,605 for police and \$4,875, \$4,660 and \$34,423 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF OREGON, OHIO

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

NOTE 13 - COMPENSATED ABSENCES

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

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

At December 31, 2015, the City's accumulated, unpaid compensated absences amounted to \$3,701,772, of which \$2,855,754 is recorded as a liability of the Governmental Activities and \$846,018 is recorded as a liability of the Business-Type Activities.

NOTE 14 - LONG-TERM DEBT

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

	Balance December 31, 2014	Issued	(Retired)	Balance December 31, 2015	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
General Obligation Bonds:					
4.67% Land Acquisition	\$172,335	\$0	(\$113,530)	\$58,805	\$58,805
2.00% Wheeling Street Improvement	3,575,000	0	(205,000)	3,370,000	205,000
Premium	86,261	0	(4,792)	81,469	0
2.00% Big Ditch/Stadium	2,780,000	0	(135,000)	2,645,000	135,000
Premium	53,765	0	(2,986)	50,779	0
Total General Obligation Bonds	6,667,361	0	(461,308)	6,206,053	398,805
Special Assessment Bond Payable with Governmental Commitment:					
5.25% York Street Waterline	75,000	0	(24,000)	51,000	25,000

(Continued)

CITY OF OREGON, OHIO

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

NOTE 14 - LONG-TERM DEBT (Continued)

	Balance December 31, 2014	Issued	(Retired)	Balance December 31, 2015	Amount Due Within One Year
Governmental Activities Long-Term Debt:					
Promissory Note Payable:					
4.22% Circuit 715 Lighting	\$23,362	\$0	(\$23,362)	\$0	\$0
Ohio Public Works Commission Loan:					
0.00% Big Ditch Improvement	395,010	0	(23,940)	371,070	23,940
0.00% Oregon Flood Relief	682,554	0	(35,003)	647,551	35,002
0.00% Resurfacing Project	0	80,243	0	80,243	8,024
Total Ohio Public Works Commission Loans	1,077,564	80,243	(58,943)	1,098,864	66,966
Long-Term Loan Payable:					
0.39% Toledo Lucas County Port Authority	0	1,751,175	(96,244)	1,654,931	100,020
Compensated Absences	2,765,995	2,855,754	(2,765,995)	2,855,754	972,499
Capital Leases	62,766	0	(30,809)	31,957	31,957
Workers Compensation Liability	72,718	0	(72,718)	0	0
Police and Firemen's Pension Accrued Liability	45,101	0	(1,421)	43,680	1,482
Net Pension Liability	14,357,737	2,386,840	0	16,744,577	0
Total Governmental Activities Long-Term Debt	\$25,147,604	\$7,074,012	(\$3,534,800)	\$28,686,816	\$1,596,729

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CITY OF OREGON, OHIO

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

NOTE 14 - LONG-TERM DEBT (Continued)

	Balance December 31, 2014	Issued	(Retired)	Balance December 31, 2015	Amount Due Within One Year
Business-Type Long-Term Debt:					
General Obligation Bonds:					
2.00% Sewer Improvement	\$820,000	\$0	(\$220,000)	\$600,000	\$220,000
Premium	55,722	0	(18,574)	37,148	0
Total General Obligation Bonds	<u>875,722</u>	<u>0</u>	<u>(238,574)</u>	<u>637,148</u>	<u>220,000</u>
Ohio Public Works Commission Loans:					
0.00% Zebra Mussel Control - Raw Water Intake	108,277	0	(15,470)	92,807	15,470
0.00% Water Plant Renovations - Phase I	158,942	0	(19,867)	139,075	19,867
0.00% Water Treatment Plant Improvements - Phase II	170,919	0	(20,108)	150,811	20,108
0.00% Water Treatment Plant Improvements - Phase III	225,000	0	(25,000)	200,000	25,000
0.00% Water Treatment Plant Improvements - Phase IV	307,000	0	(30,700)	276,300	30,700
0.00% Water Treatment Plant Improvements - Phase V	46,203	0	(4,201)	42,002	4,201
0.00% South Shore Park Waterline - Phase II	39,993	0	(3,200)	36,793	3,200
0.00% Elevated Storage Tank	371,250	0	(22,500)	348,750	22,500
0.00% Sanitary Sewer Rehabilitation	160,000	0	(10,000)	150,000	10,000
0.00% Sanitary Sewer Rehabilitation	416,250	0	(22,500)	393,750	22,500
0.00% Eastwyck Sanitary Pump Station	111,198	0	(9,670)	101,528	9,670
0.00% Wastewater Treatment Plant Phase I	30,611	456,369	(12,175)	474,805	36,525
Total Ohio Public Works Commission Loans	<u>2,145,643</u>	<u>456,369</u>	<u>(195,391)</u>	<u>2,406,621</u>	<u>219,741</u>
Ohio Water Development Authority Loans:					
3.80% Seaman Road Trunk Sewer - Phase I	672,997	0	(85,633)	587,364	88,918
3.95% Seaman Road Trunk Sewer - Phase II	1,201,681	0	(121,534)	1,080,147	126,382
3.50% Stadium Road Sewer	1,734,568	0	(156,849)	1,577,719	162,387
3.35% Pickle Road Sewer	1,498,398	0	(121,262)	1,377,136	125,358
4.28% Waterplant Renovation - Phase I & II	4,462,086	0	(559,382)	3,902,704	583,579
3.65% Waterplant Renovation - Phase III	1,093,203	0	(104,648)	988,555	108,502
3.52% Elevated Storage Tank	3,537,860	0	(158,234)	3,379,626	179,074
2.64% Phase II Sanitary Sewer Rehab	1,392,311	0	(64,128)	1,328,183	65,832
3.25% Coy Road Sewer	352,768	0	(24,469)	328,299	25,271
3.37% WWTP Secondary Improvements Phase I	5,585,273	632,735	(230,142)	5,987,866	225,786
Total Ohio Water Development Authority Loans	<u>21,531,145</u>	<u>632,735</u>	<u>(1,626,281)</u>	<u>20,537,599</u>	<u>1,691,089</u>
Compensated Absences	775,657	846,018	(775,657)	846,018	265,211
Net Pension Liability	2,142,849	367,966	0	2,510,815	0
Total Business-Type Activities Long-Term Debt	<u>\$27,471,016</u>	<u>\$2,303,088</u>	<u>(\$2,835,903)</u>	<u>\$26,938,201</u>	<u>\$2,396,041</u>

CITY OF OREGON, OHIO

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

NOTE 14 - LONG-TERM DEBT (Continued)

A. Special Assessments

The principal amount of the City's special assessment debt outstanding at December 31, 2015 of \$51,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$325,847 in the Special Assessment Bond Retirement Fund at December 31, 2015 is restricted for the retirement of outstanding special assessment bonds. Delinquent special assessments at year end were \$74,300.

B. Police and Firemen's Pension Fund

The City's liability for past service costs relating to the Police and Firemen's Pension Fund at December 31, 2015 was \$43,680 in principal and \$20,957 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt. This is paid out of the General Fund.

C. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2015, follows:

Years	<u>Governmental Activities</u>			
	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$398,805	\$145,576	\$25,000	\$2,678
2017	375,000	133,988	26,000	1,365
2018	335,000	122,738	0	0
2019	325,000	112,688	0	0
2020	330,000	106,188	0	0
2021-2025	1,810,000	427,954	0	0
2026-2030	2,125,000	214,776	0	0
2031-2032	375,000	15,256	0	0
Totals	<u>\$6,073,805</u>	<u>\$1,279,164</u>	<u>\$51,000</u>	<u>\$4,043</u>

CITY OF OREGON, OHIO

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

NOTE 14 - LONG-TERM DEBT (Continued)

D. Principal and Interest Requirements (Continued)

Years	<u>Governmental Activities</u>					
	OPWC Loans		Police/Firemen's Pension Accrued Liability		Long-Term Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$66,966	\$0	\$1,482	\$1,841	\$100,020	\$64,918
2017	66,966	0	1,545	1,777	103,942	60,994
2018	66,966	0	1,612	1,711	108,020	56,916
2019	66,966	0	1,681	1,642	112,258	52,680
2020	66,966	0	1,753	1,569	116,660	48,276
2021-2025	334,833	0	9,961	6,651	655,642	169,040
2026-2030	294,710	0	12,281	4,318	458,389	36,424
2031-2035	134,491	0	13,365	1,448	0	0
Totals	<u>\$1,098,864</u>	<u>\$0</u>	<u>\$43,680</u>	<u>\$20,957</u>	<u>\$1,654,931</u>	<u>\$489,248</u>

Years	<u>Business-Type Activities</u>					
	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$220,000	\$18,000	\$1,703,265	\$732,132	\$219,741	\$0
2017	190,000	11,400	1,775,864	667,176	195,389	0
2018	190,000	5,700	1,843,319	599,719	207,564	0
2019	0	0	1,913,374	529,665	207,564	0
2020	0	0	1,986,128	456,912	207,564	0
2021-2025	0	0	7,357,993	1,385,081	896,517	0
2026-2030	0	0	3,532,217	622,031	240,240	0
2031-2035	0	0	425,439	133,705	232,042	0
Totals	<u>\$600,000</u>	<u>\$35,100</u>	<u>\$20,537,599</u>	<u>\$5,126,421</u>	<u>\$2,406,621</u>	<u>\$0</u>

The City has been approved for various Ohio Water Development Authority (OWDA) and Ohio Public Works Commission loans. Because not all of these projects are complete and the final value of all of the loans are indeterminate, only the amortization of closed loans are presented above.

E. Refunded General Obligation Debt

On August 23, 2012, the City refunded \$1,475,000 of outstanding Sewer bonds (the "1998 Bonds") with an interest rate of 3.25% with a portion of the \$8,225,000 refunding bonds issued in August 2012. The entire principal amount of the 1998 bonds was paid off during 2012. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$161,767 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$153,490.

CITY OF OREGON, OHIO

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

NOTE 15 - CAPITAL LEASE

The City leases equipment under a capital lease. The original cost of the equipment was \$149,975 and the related liability is reported in the Government-Wide Statement of Net Position.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2015:

<u>Year Ending December 31,</u>	Capital
2016	Lease \$32,696
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(739)</u>
Present value of minimum lease payments	<u>\$31,957</u>

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2015, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	Remaining Construction Commitment	Expected Date of Completion
Isaac Streets Drive Improvements	195,839	6/1/2015
Coy & Dustin Intersection Improvements	41,778	6/30/2015
Sanitary Sewer Rehab - Ph 3	1,673,554	6/1/2016
Municipal Complex - Geothermal	498,058	6/1/2016
Cedar Point Road Relocation	5,353,626	12/31/2016
Navarre Ave Beautification	682,000	12/31/2016
OCEC Raw Water Supply System	7,764,955	12/31/2016
Wynn Road Sanitary Trunk Sewer Project	1,631,455	12/31/2016
WWTP Secondary Treatment Imp - Ph 2	6,837,760	12/31/2017
Navarre Ave Safety Improvements	2,089,502	12/31/2017
WTP (HAB) Improvement (Ozone)	12,115,100	12/31/2017
WWTP Sludge Dewatering Facility	3,282,660	12/31/2017
Pickle Road Storm Relief Ditch	2,109,000	12/31/2017
Navarre Ave Waterline Replacement - Ph 1	2,000,000	12/31/2017
Southwest Water Distribution Improvements	1,464,833	12/31/2017
Old Millard Avenue Bridge Replacement Project	898,000	12/31/2018
Total	<u>\$48,638,120</u>	

CITY OF OREGON, OHIO

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

NOTE 17 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In August 2004, the City joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 585 member political subdivisions. The City pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in 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.

A. Self Insurance Fund

The City established an internal service fund, the Self Insurance Fund, to receive payments from each fund based upon employee participation, to cover the cost of participant and dependent coverage under the plan. GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Management Omnibus," requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported at year end were determined to be immaterial, therefore no liability has been recorded. Changes in the fund's claims liability amount for the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2013	\$0	\$34,273	(\$33,673)	\$600
2014	600	31,609	(31,609)	600
2015	600	29,725	(29,525)	800

CITY OF OREGON, OHIO

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

NOTE 17 - INSURANCE AND RISK MANAGEMENT (Continued)

B. Workers' Compensation Internal Service Fund

The City is a participating member with the Ohio Municipal League Retrospective Rating Program. Retrospective (Retro) Rating is best described as a quasi self-insured program, which shifts a selected level of risk to the employer in return for a reduction in premium. Under the Retro plan employers are responsible for actual claims cost on all claims occurring within the program period. Retro claims have a ten-year life commencing with the date of injury. Claims cost for Retro claims incurred beyond ten years from the date of injury will be assumed by the Bureau. The City has a claims limit of \$200,000 per claim with a billable ceiling of 200% of the premium for 2015. Changes in the Workers' Compensation Internal Service Fund's claims liability for the past three years were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2013	\$184,557	\$176,062	(\$195,671)	\$164,948
2014	164,948	93,317	(185,547)	72,718
2015	72,718	(58,305)	(14,413)	0

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.

The City has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

NOTE 19 - CONDUIT DEBT OBLIGATION

The City issued mortgage revenue bonds to provide financial assistance to The Alcore Oregon LLC in order to promote and advance the development of residential rental housing in the City of Oregon. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2015, the mortgage revenue bonds had an outstanding balance payable of \$6,100,000.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF OREGON, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.067134%	0.067134%
City's proportionate share of the net pension liability (asset)	\$7,914,224	\$8,097,111
City's covered-employee payroll	\$8,723,669	\$8,348,383
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.72%	96.99%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.2153935%	0.2153935%
City's proportionate share of the net pension liability (asset)	\$10,490,339	\$11,158,281
City's covered-employee payroll	\$5,081,440	\$4,431,090
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	206.44%	251.82%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%

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

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

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

CITY OF OREGON, OHIO

Schedule of City Contributions Last Three Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$1,134,077	\$1,001,806	\$1,146,021
Contributions in relation to the contractually required contribution	<u>1,134,077</u>	<u>1,001,806</u>	<u>1,146,021</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$8,723,669	\$8,348,383	\$9,550,175
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$867,910	\$902,170	\$834,966
Contributions in relation to the contractually required contribution	<u>867,910</u>	<u>902,170</u>	<u>834,966</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,081,440	\$4,431,090	\$4,156,127
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%

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

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

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**CITY OF OREGON
LUCAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants States Program			
Community Development Program	14.228	A-F-14-2DB-1	\$69,550
Community Development Program	14.228	A-F-15-2DB-1	\$695
CDBG Revolving Loan Fund	14.228		<u>80,350</u>
Total U.S. Department of Housing and Urban Development			<u>150,595</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Program</i>			
Bulletproof Vest Partnership Program	16.607	N/A	1,980
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	89717	25,143
Highway Planning and Construction	20.205	90663	9,125
Highway Planning and Construction	20.205	95668	540,616
Highway Planning and Construction	20.205	96295	<u>128,441</u>
Total U.S. Department of Transportation			<u>703,325</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through the Ohio Environmental Protection Agency</i>			
Great Lakes Program	66.469	12GLRI-LUCA-32	<u>19,870</u>
Total Expenditures of Federal Awards			<u><u>\$875,770</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF OREGON
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Oregon, Lucas County, Ohio (the City's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and personal guarantees.

NOTE D - 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.



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 Oregon
Lucas County
5330 Seaman Road
Oregon, Ohio 43616

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 Oregon, Lucas County, Ohio (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 29, 2016, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. In addition, January 1, 2015 balances have been restated to correct misstatements due to a large income tax refund and interfund loans that were not recorded during the prior audit.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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*.

Entity's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it

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.



Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Oregon
Lucas County
5330 Seaman Road
Oregon, Ohio 43616

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Oregon, Lucas County, Ohio (the City's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2015. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Oregon 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, 2015.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2016

**CITY OF OREGON
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

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 weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction – CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2015-001

Material Weakness

Financial Reporting

The City's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements, resulting in twenty-nine audit adjustments ranging in amount from \$4,238 to \$9,999,600. The most significant audit adjustments were as follows:

**FINDING NUMBER 2015-001
(Continued)**

- Beginning balances were restated (reduced) to account for an income tax refund to a large industrial employer for an overpayment of 2014 income taxes, the following funds reported expenditures in 2015 that should have been report in 2014 (General fund - \$9,999,600, Solid Waste, Bonds and CIP fund - \$1,333,200, and Other Governmental funds - \$667,200);
- Special Assessments Receivable and Deferred Revenue was overstated by \$1,540,845 in the Bond Retirement fund due to an inaccurate allocation used;
- Beginning balance in the Bond Retirement fund was overstated by \$210,885 due to unrecorded interfund loans payable in the prior audit;
- Payment on interfund loans in the Bond Retirement fund of \$103,480 was not properly recorded as a reduction of interfund payable and an expense during the current audit;
- Accounts receivable and revenue within the Water fund were understated by \$842,572 for work performed in 2015 and amounts received in 2016 was not recorded;
- Special Assessment revenues of \$360,894 within the Sewer fund were recorded as Other Operating revenues rather than Capital Contributions;
- Loan proceeds of \$1,066,974 were recorded as both Loans Payable and Intergovernmental Receivable within the Sewer fund despite amounts not being added by OWDA until 2016;
- Accounts receivable and related revenue within the Sewer fund did not include amounts billed by Northwestern Water and Sewer District for September through November 2015 usage which were not received by the City until 2016 (\$326,591);
- Special Assessments Receivable within the Sewer fund was understated by \$1,212,457 due to an inaccurate allocation used. Due to this error, the Special Assessment Receivable in the Bond Retirement and Water funds were overstated; and
- \$6,000,000 was reclassified from "unassigned" to "committed" in the general fund for the City's reserve account.

Additional audit adjustments were made in smaller relative amounts. These errors were a result of inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The accompanying financial statements have been adjusted to correct these errors. To ensure the City's financial statements are complete and accurate, the City should adopt policies and procedures, including a final review of the annual report by Council and the audit committee to identify and correct errors, omissions, and misclassifications.

Officials' Response:

The income tax refund was not measurable at 12/31/14. The return requesting the refund was filed in October, 2015. The items referring to interfund loans (2) were recorded as approved by our previous auditors. The OWDA loan proceeds were recorded as a loan Payable and intergovernmental Receivable for work that had been completed by 12/31/15 and was measurable. OWDA funds were received in 2016 for the completed work. The Special Assessment receivable items {2} were calculated using information provided by the Lucas County Auditor. The allocation used was audited and approved during previous audits.

Auditor of State's Conclusion:

Due to the large amount of the refund, and that this has been the case over the past few years, we believe the City should have presented a reasonable estimate in the December 31, 2014 financial statements. Since the OWDA proceeds were distributed and added to loan in 2016, it should be posted as 2016 activity for the debt. Due to the nature of an audit, U.S. generally accepted auditing standards (GAAS) allows auditors to limit certain procedures to selective testing of data. Even if this approach may have existed in previous audits it does not necessarily mean the prior auditors were knowledgeable of the circumstances or, if indeed they were, whether they were aware of all the facts that would have permitted them to reach a similar conclusion.

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CITY OF OREGON

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 1, 2016