

**CITY OF OBERLIN, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2004**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Oberlin, Lorain County, prepared by James G. Zupka, C.P.A., Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 18, 2005

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CITY OF OBERLIN, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

(216) 475 - 6136  
Accountants

Ohio Society of Certified Public

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

Honorable Mayor, City Manager, City Auditor,  
and Members of City Council  
City of Oberlin, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Oberlin, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the City of Oberlin, Ohio's basic financial statements and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Oberlin, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by an error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Oberlin, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City of Oberlin, Ohio in a separate letter dated June 10, 2005.

This report is intended solely for the information and use of management and members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka  
Certified Public Accountant

June 10, 2005

CITY OF OBERLIN, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2004

The prior audit report, as of December 31, 2003, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



***CITY OF OBERLIN, OHIO***

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**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2004**

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

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***CITY OF OBERLIN, OHIO***

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor, City Manager, City Auditor,  
and Members of City Council  
City of Oberlin, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

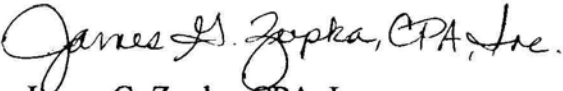
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended December 31, 2003, it was determined that income taxes receivable were misstated in the governmental activities and business-type activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2004 on our consideration of the City of Oberlin, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report is considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

June 10, 2005

## **CITY OF OBERLIN, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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The discussion and analysis of the City of Oberlin's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2004 are as follows:

- ❑ In total, net assets increased \$2,240,109. Net assets of governmental activities increased \$1,846,738, which represents a 14% increase from 2003. Net assets of business-type activities increased \$393,370 from 2003.
- ❑ General revenues accounted for \$8.2 million in revenue or 37% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 62% of total revenues of \$22.3 million.
- ❑ The City had \$7.9 million in expenses related to governmental activities; only \$1.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$8.2 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$5.8 million in revenues and \$5.6 million in expenditures. The general fund's fund balance increased \$415,751 to \$5,641,994 million.

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

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

These statements are as follows:

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

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

# CITY OF OBERLIN, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2004*

*Unaudited*

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## **Government-wide Statements**

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

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

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, 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 streets 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 program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, electric, refuse and cable services are reported as business-type activities.

## **Fund Financial Statements**

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

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



## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net assets between 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$11,260,395	\$10,514,549	\$14,994,818	\$15,300,979	\$26,255,213	\$25,815,528
Capital assets, Net	7,195,261	6,668,751	15,864,181	15,635,698	23,059,442	22,304,449
Total assets	18,455,656	17,183,300	30,858,999	30,936,677	49,314,655	48,119,977
Long-term debt outstanding	2,182,854	2,516,541	5,330,890	5,570,175	7,513,744	8,086,716
Other liabilities	1,622,844	1,863,539	625,266	857,029	2,248,110	2,720,568
Total liabilities	3,805,698	4,380,080	5,956,156	6,427,204	9,761,854	10,807,284
Net assets						
Invested in capital assets, net of related debt	5,488,405	4,621,131	11,211,744	10,307,402	16,700,149	14,928,533
Restricted	3,455,006	3,552,544	0	0	3,455,006	3,552,544
Unrestricted	5,706,547	4,629,545	13,691,099	14,202,071	19,397,646	18,831,616
Total net assets	<u>\$14,649,958</u>	<u>\$12,803,220</u>	<u>\$24,902,843</u>	<u>\$24,509,473</u>	<u>\$39,552,801</u>	<u>\$37,312,693</u>

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for Services and Sales	\$1,123,550	\$1,009,312	\$12,198,153	\$10,796,577	\$13,321,703	\$11,805,889
Operating Grants and Contributions	390,354	421,173	0	0	390,354	421,173
Capital Grants and Contributions	32,121	156,644	0	0	32,121	156,644
<b>General revenues:</b>						
Property Taxes	910,741	796,128	330,158	549,470	1,240,899	1,345,598
Income Taxes	4,273,125	3,746,411	488,220	174,909	4,761,345	3,921,320
Shared Revenues	1,768,812	1,151,936	0	0	1,768,812	1,151,936
Investment Earnings	302,577	202,625	346,222	258,220	648,799	460,845
Miscellaneous	161,133	353,479	0	0	161,133	353,479
Transfers In (Out)	793,380	490,534	(793,380)	(490,534)	0	0
Total revenues	<u>9,755,793</u>	<u>8,328,242</u>	<u>12,569,373</u>	<u>11,288,642</u>	<u>22,325,166</u>	<u>19,616,884</u>
<b>Program Expenses</b>						
Security of Persons and Property	2,524,461	2,459,399	0	0	2,524,461	2,459,399
Public Health and Welfare Services	108,656	120,368	0	0	108,656	120,368
Leisure Time Activities	628,105	510,144	0	0	628,105	510,144
Community Development	731,721	440,602	0	0	731,721	440,602
Basic Utility Services	106,484	101,657	0	0	106,484	101,657
Transportation	1,061,386	1,419,096	0	0	1,061,386	1,419,096
General Government	2,641,346	2,494,161	0	0	2,641,346	2,494,161
Interest and Fiscal Charges	106,896	125,026	0	0	106,896	125,026
Cable	0	0	700	0	700	0
Water	0	0	1,350,719	1,142,123	1,350,719	1,142,123
Sewer	0	0	1,950,422	2,284,641	1,950,422	2,284,641
Refuse	0	0	426,288	513,404	426,288	513,404
Electric	0	0	8,447,874	7,560,919	8,447,874	7,560,919
Total expenses	<u>7,909,055</u>	<u>7,670,453</u>	<u>12,176,003</u>	<u>11,501,087</u>	<u>20,085,058</u>	<u>19,171,540</u>
Total Change in Net Assets	1,846,738	657,789	393,370	(212,445)	2,240,108	445,344
Beginning Net Assets	<u>12,803,220</u>	<u>12,145,431</u>	<u>24,509,473</u>	<u>24,721,918</u>	<u>37,312,693</u>	<u>36,867,349</u>
Ending Net Assets	<u><u>\$14,649,958</u></u>	<u><u>\$12,803,220</u></u>	<u><u>\$24,902,843</u></u>	<u><u>\$24,509,473</u></u>	<u><u>\$39,552,801</u></u>	<u><u>\$37,312,693</u></u>

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

### **Governmental Activities**

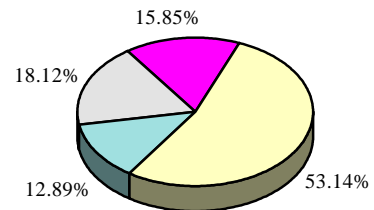
Net assets of the City's governmental activities increased by \$1,846,738. This increase was primarily due to a reduction in outstanding debt. Although income tax collections decreased in 2004, the City's revenues still exceeded expenditures.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

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

Property taxes and income taxes made up 9.3% and 43.84% respectively of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph indicating 53.14% of total revenues from general tax revenues:

Revenue Sources	2004	Percent of Total
General Shared Revenues	\$1,768,812	18.12%
Program Revenues	1,546,025	15.85%
General Tax Revenues	5,183,866	53.14%
General Other	1,257,090	12.89%
Total Revenue	\$9,755,793	100.00%



### **Business-Type Activities**

Net assets of the business-type activities increased by \$393,370. This increase was due to major sewer and water upgrades, and new infrastructure for continued development in the City. User rates in the enterprise funds are evaluated annually by management according to rate formulas approved by the legislative body. Changes to user rates are made annually when necessary to keep pace with increased operational and capital costs.

## CITY OF OBERLIN, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2004*

*Unaudited*

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$9,030,425, which is an increase from last year's balance of \$7,989,097. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	Fund Balance December 31, 2004	Fund Balance December 31, 2003	Increase (Decrease)
General	\$5,641,994	\$5,226,243	\$415,751
Income Tax	1,500,594	1,307,326	193,268
Other Governmental	1,887,837	1,455,528	432,309
<b>Total</b>	<b>\$9,030,425</b>	<b>\$7,989,097</b>	<b>\$1,041,328</b>

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

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$3,005,247	\$2,507,239	\$498,008
Intergovernmental Revenue	1,567,103	1,332,975	234,128
Charges for Services	178,423	97,168	81,255
Licenses and Permits	124,721	99,069	25,652
Fines and Forfeitures	648,837	560,750	88,087
Investment Earnings	283,780	196,125	87,655
All Other Revenue	19,288	21,579	(2,291)
<b>Total</b>	<b>\$5,827,399</b>	<b>\$4,814,905</b>	<b>\$1,012,494</b>

General Fund revenues in 2004 increased approximately 21% compared to revenues in fiscal year 2003.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,080,108	\$1,892,422	\$187,686
Public Health and Welfare Services	103,444	112,426	(8,982)
Leisure Time Activities	428,647	411,837	16,810
Community Development	358,831	330,722	28,109
Transportation	155,787	135,566	20,221
General Government	2,511,667	2,327,172	184,495
<b>Total</b>	<b>\$5,638,484</b>	<b>\$5,210,145</b>	<b>\$428,339</b>

## CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

General Fund expenditures increased by \$428,339 or 8.2% compared to the prior year mostly due to an increase in health care and workers' comp premiums and contractual wage increases.

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 2004 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$5.2 million did not significantly change over the original budget estimates of \$4.7 million. The General Fund had an adequate fund balance to cover expenditures.

For the Income Tax Fund, the fund balance increased due to a decrease in spending for capital improvements. Income tax revenue decreased compared to 2003.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal 2004 the City had \$23,059,442 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$7,195,261 was related to governmental activities and \$15,864,181 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$2,121,614	\$1,996,114	\$125,500
Infrastructure	286,435	0	286,435
Buildings	3,685,149	3,546,061	139,088
Machinery and Equipment	3,926,168	3,691,751	234,417
Construction in Progress	654,255	523,070	131,185
Less: Accumulated Depreciation	(3,478,360)	(3,088,245)	(390,115)
Totals	\$7,195,261	\$6,668,751	\$526,510

	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$175,773	\$175,773	\$0
Buildings	456,309	404,658	51,651
Infrastructure	18,925,606	18,794,527	131,079
Machinery and Equipment	12,867,744	12,600,041	267,703
Construction in Progress	3,627,032	2,971,950	655,082
Less: Accumulated Depreciation	(20,188,283)	(19,311,251)	(877,032)
Totals	\$15,864,181	\$15,635,698	\$228,483

## **CITY OF OBERLIN, OHIO**

### ***Management's Discussion and Analysis For the Year Ended December 31, 2004***

***Unaudited***

The primary increases occurred in machinery and equipment and land. Additional information on the City's capital assets can be found in Note 10.

#### ***Debt***

At December 31, 2004, the City had \$2.5 million in bonds outstanding, \$527,318 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
Special Assessment Bonds		
with Governmental Commitment	\$355,499	\$405,321
General Obligation Bonds	1,052,195	1,261,543
Capital Leases	299,162	380,756
Compensated Absences	475,998	468,921
Total Governmental Activities	<u>2,182,854</u>	<u>2,516,541</u>
Business-Type Activities:		
Mortgage Revenue Bonds	\$1,100,000	\$1,345,000
OWDA Loans Payable	3,552,437	3,983,296
Payable to Joint Venture	436,848	0
Compensated Absences	241,605	241,879
Total Business-Type Activities	<u>5,330,890</u>	<u>5,570,175</u>
Totals	<u><u>\$7,513,744</u></u>	<u><u>\$8,086,716</u></u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the county is limited to ten mills. At December 31, 2004, 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.

#### **ECONOMIC FACTORS**

The City's original budget for 2004 utilized conservative revenue estimates with limited increases in base operating costs. However, due to projected declines in certain revenues, expenditures were *projected* to exceed revenues in some of the funds, including the General Fund. City Council decided they wanted to maintain current service levels to the residents of the City by utilizing reserve fund balances. Original General Fund revenues were projected to be 15% less than the actual receipts for 2004. This was due to a projected decrease in interest income because of the low interest rates on investments and uncertainty in the amount of actual municipal income taxes to be collected due to uncertain economic conditions.

General Fund expenditures were originally budgeted at 8% more than 2004 actual expenditures. No additional personnel were added in the final approved budget. Department requests were reduced 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 OF OBERLIN, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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City Council continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources, in addition to a continued review of reducing expenditures. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability. The voters approved a five year 0.2% income tax levy for general fund purposes effective January 1, 2005.

### **REQUESTS FOR INFORMATION**

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

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**CITY OF OBERLIN, OHIO**

**Statement of Net Assets**  
**December 31, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,335,644	\$ 762,017	\$ 2,097,661
Investments	7,240,457	11,104,814	18,345,271
<b>Receivables:</b>			
Taxes	1,960,273	430,996	2,391,269
Accounts	0	1,079,318	1,079,318
Intergovernmental	513,088	0	513,088
Interest	35,035	63,957	98,992
Special Assessments	5,288	0	5,288
Loans	191,031	0	191,031
Internal Balances	(126,895)	126,895	0
Inventory of Supplies at Cost	38,355	347,083	385,438
Prepaid Items	68,119	49,158	117,277
<b>Restricted Assets:</b>			
Cash and Cash Equivalents	0	1,023	1,023
Investments	0	316,232	316,232
<b>Capital Assets:</b>			
Capital Assets Not Being Depreciated	2,775,869	3,802,805	6,578,674
Capital Assets Being Depreciated, Net	4,419,392	12,061,376	16,480,768
Investment in Joint Venture	0	713,325	713,325
<b>Total Assets</b>	<b>18,455,656</b>	<b>30,858,999</b>	<b>49,314,655</b>
<b>Liabilities:</b>			
Accounts Payable	130,539	173,297	303,836
Accrued Wages and Benefits	297,130	152,308	449,438
Due to Others	131,988	0	131,988
Deferred Revenue	827,659	299,661	1,127,320
Accrued Interest Payable	15,528	0	15,528
General Obligation Notes Payable	220,000	0	220,000
<b>Long-Term Liabilities:</b>			
Due Within One Year	551,871	791,696	1,343,567
Due in More Than One Year	1,630,983	4,539,194	6,170,177
<b>Total Liabilities</b>	<b>3,805,698</b>	<b>5,956,156</b>	<b>9,761,854</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	5,488,405	11,211,744	16,700,149
<b>Restricted For:</b>			
Capital Projects	1,764,096	0	1,764,096
Debt Service	385,217	0	385,217
Other Purposes	1,305,693	0	1,305,693
Unrestricted (Deficit)	5,706,547	13,691,099	19,397,646
<b>Total Net Assets</b>	<b>\$ 14,649,958</b>	<b>\$ 24,902,843</b>	<b>\$ 39,552,801</b>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

**Statement of Activities**  
**For the Year Ended December 31, 2004**

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>				
Current:				
Security of Persons and Property	\$ 2,524,461	\$ 46,095	\$ 7,545	\$ 0
Public Health and Welfare Services	108,656	31,635	0	0
Leisure Time Activities	628,105	6,980	0	0
Community Development	731,721	42,709	8,008	0
Basic Utility Services	106,484	626	51,200	0
Transportation	1,061,386	0	323,601	32,121
General Government	2,641,346	995,505	0	0
Interest and Fiscal Charges	106,896	0	0	0
<b>Total Governmental Activities</b>	<b>7,909,055</b>	<b>1,123,550</b>	<b>390,354</b>	<b>32,121</b>
<b>Business-Type Activities:</b>				
Cable	700	7,847	0	0
Water	1,350,719	1,923,599	0	0
Sewer	1,950,422	2,165,229	0	0
Refuse	426,288	355,162	0	0
Electric	8,447,874	7,746,316	0	0
<b>Total Business-Type Activities</b>	<b>12,176,003</b>	<b>12,198,153</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 20,085,058</b>	<b>\$ 13,321,703</b>	<b>\$ 390,354</b>	<b>\$ 32,121</b>

**General Revenues**

Property Taxes  
Municipal Income Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Net Assets Beginning of Year  
Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,470,821)	\$ 0	\$ (2,470,821)
(77,021)	0	(77,021)
(621,125)	0	(621,125)
(681,004)	0	(681,004)
(54,658)	0	(54,658)
(705,664)	0	(705,664)
(1,645,841)	0	(1,645,841)
(106,896)	0	(106,896)
<u>(6,363,030)</u>	<u>0</u>	<u>(6,363,030)</u>
0	7,147	7,147
0	572,880	572,880
0	214,807	214,807
0	(71,126)	(71,126)
0	(701,558)	(701,558)
<u>0</u>	<u>22,150</u>	<u>22,150</u>
<u>(6,363,030)</u>	<u>22,150</u>	<u>(6,340,880)</u>
910,741	330,158	1,240,899
4,273,125	488,220	4,761,345
1,768,812	0	1,768,812
302,577	346,222	648,799
161,133	0	161,133
793,380	(793,380)	0
<u>8,209,768</u>	<u>371,220</u>	<u>8,580,988</u>
1,846,738	393,370	2,240,108
<u>12,803,220</u>	<u>24,509,473</u>	<u>37,312,693</u>
<u>\$ 14,649,958</u>	<u>\$ 24,902,843</u>	<u>\$ 39,552,801</u>

## CITY OF OBERLIN, OHIO

### *Balance Sheet Governmental Funds December 31, 2004*

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,984	\$ 774	\$ 1,241,597	\$ 1,245,355
Investments	4,816,722	1,252,444	1,171,291	7,240,457
Receivables:				
Taxes	1,177,632	266,972	515,669	1,960,273
Intergovernmental	332,491	0	180,597	513,088
Interest	27,822	7,213	0	35,035
Special Assessments	4,104	0	1,184	5,288
Loans	0	0	191,031	191,031
Interfund Loans Receivables	266,439	0	0	266,439
Inventory of Supplies, at Cost	6,727	0	10,611	17,338
Prepaid Items	61,954	0	4,264	66,218
<b>Total Assets</b>	<b>\$ 6,696,875</b>	<b>\$ 1,527,403</b>	<b>\$ 3,316,244</b>	<b>\$ 11,540,522</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 45,191	\$ 22,176	\$ 57,585	\$ 124,952
Accrued Wages and Benefits Payable	216,062	0	77,407	293,469
Due to Others	0	0	131,988	131,988
Interfund Loans Payable	0	0	266,439	266,439
Deferred Revenue	793,628	4,633	673,686	1,471,947
Accrued Interest Payable	0	0	1,302	1,302
General Obligation Notes Payable	0	0	220,000	220,000
<b>Total Liabilities</b>	<b>1,054,881</b>	<b>26,809</b>	<b>1,428,407</b>	<b>2,510,097</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	177,147	182,137	349,019	708,303
Reserved for Prepaid Items	61,954	0	4,264	66,218
Reserved for Supplies Inventory	6,727	0	10,611	17,338
Reserved for Debt Service	0	0	398,259	398,259
Reserved for Endowments	0	0	26,445	26,445
Undesignated/Unreserved in:				
General Fund	5,396,166	0	0	5,396,166
Special Revenue Funds	0	0	876,642	876,642
Capital Projects Funds	0	1,318,457	222,597	1,541,054
<b>Total Fund Balances</b>	<b>5,641,994</b>	<b>1,500,594</b>	<b>1,887,837</b>	<b>9,030,425</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 6,696,875</b>	<b>\$ 1,527,403</b>	<b>\$ 3,316,244</b>	<b>\$ 11,540,522</b>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2004***

---

<b>Total Governmental Fund Balances</b>	\$ 9,030,425
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	7,000,624
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	644,287
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	167,422
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,192,800)</u>
<b><i>Net Assets of Governmental Funds</i></b>	<b><u><u>\$ 14,649,958</u></u></b>

See accompanying notes to the basic financial statements

## CITY OF OBERLIN, OHIO

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2004

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 461,107	\$ 0	\$ 376,184	\$ 837,291
Municipal Income Tax	2,544,140	1,287,046	520,360	4,351,546
Intergovernmental Revenues	1,567,103	0	501,029	2,068,132
Charges for Services	178,423	0	3,814	182,237
Licenses and Permits	124,721	0	0	124,721
Investment Earnings	283,780	1,397	4,241	289,418
Special Assessments	0	0	39,399	39,399
Fines and Forfeitures	648,837	0	128,341	777,178
All Other Revenue	19,288	1,532	212,067	232,887
<b>Total Revenue</b>	<b>5,827,399</b>	<b>1,289,975</b>	<b>1,785,435</b>	<b>8,902,809</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,080,108	0	230,130	2,310,238
Public Health and Welfare Services	103,444	0	0	103,444
Leisure Time Activities	428,647	0	116,092	544,739
Community Development	358,831	0	368,001	726,832
Basic Utility Services	0	0	109,969	109,969
Transportation	155,787	0	339,340	495,127
General Government	2,511,667	0	70,894	2,582,561
Capital Outlay	0	1,010,154	416,556	1,426,710
Debt Service:				
Principal Retirement	0	0	259,170	259,170
Interest & Fiscal Charges	0	0	100,381	100,381
<b>Total Expenditures</b>	<b>5,638,484</b>	<b>1,010,154</b>	<b>2,010,533</b>	<b>8,659,171</b>
Excess (Deficiency) of Revenues Over Expenditures	188,915	279,821	(225,098)	243,638
<b>Other Financing Sources (Uses):</b>				
Transfers In	574,183	175,000	873,361	1,622,544
Transfers Out	(344,486)	(261,553)	(218,125)	(824,164)
<b>Total Other Financing Sources (Uses)</b>	<b>229,697</b>	<b>(86,553)</b>	<b>655,236</b>	<b>798,380</b>
Net Change in Fund Balances	418,612	193,268	430,138	1,042,018
<b>Fund Balances at Beginning of Year</b>	<b>5,226,243</b>	<b>1,307,326</b>	<b>1,455,528</b>	<b>7,989,097</b>
Increase (Decrease) in Inventory Reserve	(2,861)	0	2,171	(690)
<b>Fund Balances End of Year</b>	<b>\$ 5,641,994</b>	<b>\$ 1,500,594</b>	<b>\$ 1,887,837</b>	<b>\$ 9,030,425</b>

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2004***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,042,018

***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.	337,813
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	59,604
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	340,764
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(6,515)
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(13,641)
The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.	<u>86,695</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 1,846,738</u></u></b>

See accompanying notes to the basic financial statements

## CITY OF OBERLIN, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For The Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 436,911	\$ 455,795	\$ 461,107	\$ 5,312
Municipal Income Tax	2,336,025	2,336,025	2,407,044	71,019
Intergovernmental Revenue	944,936	1,285,191	1,412,600	127,409
Charges for Services	56,000	186,000	179,411	(6,589)
Licenses and Permits	87,500	121,500	124,721	3,221
Investment Earnings	250,000	250,000	296,924	46,924
Fines and Forfeitures	565,000	585,000	648,837	63,837
All Other Revenues	15,700	15,700	19,288	3,588
Total Revenues	<u>4,692,072</u>	<u>5,235,211</u>	<u>5,549,932</u>	<u>314,721</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,157,376	2,155,276	2,085,215	70,061
Public Health and Welfare Services	120,967	120,967	103,870	17,097
Leisure Time Activities	493,466	483,967	433,487	50,480
Community Environment	396,390	417,880	352,109	65,771
Transportation	163,851	163,851	154,534	9,317
General Government	2,930,261	2,949,372	2,664,703	284,669
Total Expenditures	<u>6,262,311</u>	<u>6,291,313</u>	<u>5,793,918</u>	<u>497,395</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,570,239)	(1,056,102)	(243,986)	812,116
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	5,000	5,000	0	(5,000)
Transfers In	579,916	574,184	574,184	0
Transfers Out	(314,486)	(344,486)	(344,486)	0
Advances In	225,000	183,094	183,094	0
Advances Out	(120,000)	(350,000)	(267,608)	82,392
Total Other Financing Sources (Uses):	<u>375,430</u>	<u>67,792</u>	<u>145,184</u>	<u>77,392</u>
Net Change In Fund Balance	(1,194,809)	(988,310)	(98,802)	889,508
Fund Balance at Beginning of Year	4,434,836	4,434,836	4,434,836	0
Prior Year Encumbrances	297,969	297,969	297,969	0
Fund Balance at End of Year	<u>\$ 3,537,996</u>	<u>\$ 3,744,495</u>	<u>\$ 4,634,003</u>	<u>\$ 889,508</u>

See accompanying notes to the basic financial statements



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## CITY OF OBERLIN, OHIO

### Statement of Net Assets Proprietary Funds December 31, 2004

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Electric	Refuse
<b>Assets:</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 1,210	\$ 5,487	\$ 3,844	\$ 703,340
Investments	1,957,109	2,928,314	6,219,391	0
<i>Receivables:</i>				
Taxes	0	104,697	0	326,299
Accounts	186,200	167,150	697,516	28,452
Interest	11,272	16,865	35,820	0
Inventory of Supplies at Cost	13,498	24,088	309,497	0
Prepaid Items	9,029	5,328	31,649	3,152
<i>Restricted Assets:</i>				
Cash and Cash Equivalents	0	1,023	0	0
Investments	0	316,232	0	0
<b>Total Current Assets</b>	<b>2,178,318</b>	<b>3,569,184</b>	<b>7,297,717</b>	<b>1,061,243</b>
<i>Non Current Assets:</i>				
Capital Assets, Net	3,127,961	6,443,304	5,994,682	275,993
Investment in Joint Venture	0	0	713,325	0
<b>Total Assets</b>	<b>5,306,279</b>	<b>10,012,488</b>	<b>14,005,724</b>	<b>1,337,236</b>
<b>Liabilities:</b>				
<i>Current Liabilities:</i>				
Accounts Payable	30,260	5,971	124,913	12,153
Accrued Wages and Benefits	38,273	29,165	72,058	12,812
Deferred Revenue	0	0	0	299,661
Mortgage Revenue Bonds - Current	0	255,000	0	0
Ohio Water Development Authority Loans - Current	162,629	290,994	0	0
<b>Total Current Liabilities</b>	<b>231,162</b>	<b>581,130</b>	<b>196,971</b>	<b>324,626</b>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	55,036	44,924	124,519	17,126
Revenue Bonds Payable	0	845,000	0	0
OWDA Loans Payable	0	3,098,814	0	0
Payable to Joint Venture	0	0	436,848	0
<b>Total Liabilities</b>	<b>286,198</b>	<b>4,569,868</b>	<b>758,338</b>	<b>341,752</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	2,965,332	1,953,496	5,994,682	275,993
Unrestricted	2,054,749	3,489,124	7,252,704	719,491
<b>Total Net Assets</b>	<b>\$ 5,020,081</b>	<b>\$ 5,442,620</b>	<b>\$ 13,247,386</b>	<b>\$ 995,484</b>

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

Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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Cable	Total	Governmental Activities - Internal Service Funds
\$ 48,136	\$ 762,017	\$ 90,289
0	11,104,814	0
0	430,996	0
0	1,079,318	0
0	63,957	0
0	347,083	21,017
0	49,158	1,901
0	1,023	0
0	316,232	0
48,136	14,154,598	113,207
22,241	15,864,181	194,637
0	713,325	0
70,377	30,732,104	307,844
0	173,297	5,587
0	152,308	3,661
0	299,661	0
0	255,000	0
0	453,623	0
0	1,333,889	9,248
0	241,605	4,279
0	845,000	0
0	3,098,814	0
0	436,848	0
0	5,956,156	13,527
22,241	11,211,744	194,637
48,136	13,564,204	99,680
\$ 70,377	\$ 24,775,948	\$ 294,317
	126,895	
	\$ 24,902,843	

## CITY OF OBERLIN, OHIO

### Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2004

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Electric	Refuse
<b>Operating Revenues:</b>				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 330,158
Municipal Income Taxes	0	488,220	0	0
Charges for Services	1,830,597	1,510,739	8,182,178	355,162
<b>Total Operating Revenues</b>	<u>1,830,597</u>	<u>1,998,959</u>	<u>8,182,178</u>	<u>685,320</u>
<b>Operating Expenses:</b>				
Personal Services	653,010	494,580	1,345,543	198,952
Contractual Services	517,716	858,385	6,439,812	207,120
Materials and Supplies	77,521	891	24,439	(377)
Depreciation	85,269	55,334	672,871	63,558
<b>Total Operating Expenses</b>	<u>1,333,516</u>	<u>1,409,190</u>	<u>8,482,665</u>	<u>469,253</u>
Operating Income (Loss)	497,081	589,769	(300,487)	216,067
<b>Nonoperating Revenue (Expenses):</b>				
Investment Earnings	7,395	318,439	20,388	0
Interest Expense	(20,681)	(546,886)	0	0
Loss on Investment in Joint Venture	0	0	(435,862)	0
Capital Contributions	93,002	654,490	0	0
<b>Total Nonoperating Revenues (Expenses)</b>	<u>79,716</u>	<u>426,043</u>	<u>(415,474)</u>	<u>0</u>
Income (Loss) Before Transfers	576,797	1,015,812	(715,961)	216,067
Transfers In	417,000	76,768	624,167	100,000
Transfers Out	(515,251)	(174,579)	(1,089,861)	(231,624)
Change in Net Assets	478,546	918,001	(1,181,655)	84,443
Net Assets Beginning of Year	4,541,535	4,524,619	14,429,041	911,041
Net Assets End of Year	<u>\$ 5,020,081</u>	<u>\$ 5,442,620</u>	<u>\$ 13,247,386</u>	<u>\$ 995,484</u>

Change in Net Assets - Total Enterprise Funds

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

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF OBERLIN, OHIO**

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Cable	Total	Governmental Activities - Internal Service Funds
\$ 0	\$ 330,158	\$ 0
0	488,220	0
7,847	11,886,523	221,707
7,847	12,704,901	221,707
0	2,692,085	107,072
700	8,023,733	29,194
0	102,474	57,324
0	877,032	4,422
700	11,695,324	198,012
7,147	1,009,577	23,695
0	346,222	0
0	(567,567)	0
0	(435,862)	0
0	747,492	154,887
0	90,285	154,887
7,147	1,099,862	178,582
0	1,217,935	0
0	(2,011,315)	(5,000)
7,147	306,482	173,582
63,230	24,469,466	120,735
\$ 70,377	\$ 24,775,948	\$ 294,317
	306,482	
	86,888	
	\$ 393,370	

**CITY OF OBERLIN, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Electric	Refuse
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,776,405	\$1,930,407	\$8,188,650	\$659,282
Cash Payments for Goods and Services	(561,811)	(874,773)	(6,540,561)	(207,099)
Cash Payments to Employees	(654,415)	(495,112)	(1,319,267)	(196,592)
Net Cash Provided by Operating Activities	<u>560,179</u>	<u>560,522</u>	<u>328,822</u>	<u>255,591</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	417,000	76,768	624,167	100,000
Transfers Out to Other Funds	(515,251)	(174,579)	(1,089,861)	(231,624)
Advances Out to Other Funds	0	0	0	0
Net Cash Used by Noncapital Financing Activities	<u>(98,251)</u>	<u>(97,811)</u>	<u>(465,694)</u>	<u>(131,624)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(57,251)	(227,337)	(169,693)	0
Principal Paid on Mortgage Revenue Bonds	0	(245,000)	0	0
Principal Paid on Ohio Water Development Authority Loans	(152,626)	(278,233)	0	0
Interest Paid on All Debt	(20,681)	(546,886)	0	0
Net Cash Used for Capital and Related Financing Activities	<u>(230,558)</u>	<u>(1,297,456)</u>	<u>(169,693)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	(797,824)	(544,156)	(1,604,433)	0
Receipts of Interest	0	309,543	0	0
Net Cash Used by Investing Activities	<u>(797,824)</u>	<u>(234,613)</u>	<u>(1,604,433)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(566,454)	(1,069,358)	(1,910,998)	123,967
Cash and Cash Equivalents at Beginning of Year	567,664	1,075,868	1,914,842	579,373
Cash and Cash Equivalents at End of Year	<u>\$1,210</u>	<u>\$6,510</u>	<u>\$3,844</u>	<u>\$703,340</u>

**CITY OF OBERLIN, OHIO**

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Cable	Totals	Governmental Activities Internal Service Funds
\$7,847	\$12,562,591	\$221,707
(700)	(8,184,944)	(69,986)
0	(2,665,386)	(114,627)
<u>7,147</u>	<u>1,712,261</u>	<u>37,094</u>
0	1,217,935	0
0	(2,011,315)	(5,000)
<u>0</u>	<u>0</u>	<u>(12,188)</u>
<u>0</u>	<u>(793,380)</u>	<u>(17,188)</u>
0	(454,281)	(38,232)
0	(245,000)	0
0	(430,859)	0
<u>0</u>	<u>(567,567)</u>	<u>0</u>
<u>0</u>	<u>(1,697,707)</u>	<u>(38,232)</u>
0	(2,946,413)	0
<u>0</u>	<u>309,543</u>	<u>0</u>
<u>0</u>	<u>(2,636,870)</u>	<u>0</u>
7,147	(3,415,696)	(18,326)
40,989	4,178,736	108,615
<u>\$48,136</u>	<u>\$763,040</u>	<u>\$90,289</u>

(Continued)

**CITY OF OBERLIN, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Electric	Refuse
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income (Loss)	\$497,081	\$589,769	(\$300,487)	\$216,067
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	85,269	55,334	672,871	63,558
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(54,192)	(68,552)	6,472	(28,973)
Decrease (Increase) in Inventory	11,063	(15,648)	119,519	0
Increase in Prepaid Items	(1,253)	(1,378)	(4,650)	(977)
Increase (Decrease) in Accounts Payable	23,616	1,529	(191,179)	621
Increase (Decrease) in Accrued				
Wages and Benefits	6,297	4,564	13,940	2,172
Increase in Deferred Revenue	0	0	0	2,935
Increase (Decrease) in				
Compensated Absences	(7,702)	(5,096)	12,336	188
Total Adjustments	63,098	(29,247)	629,309	39,524
Net Cash Provided by Operating Activities	\$560,179	\$560,522	\$328,822	\$255,591

Schedule of Noncash Investing, Capital and Financing Activities:

The Water Fund received \$93,002 of capital contributions from private sources.

See accompanying notes to the basic financial statements



**CITY OF OBERLIN, OHIO**

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Cable	Totals	Governmental Activities Internal Service Funds
\$7,147	\$1,009,577	\$39,090
0	877,032	4,422
0	(145,245)	0
0	114,934	(736)
0	(8,258)	(387)
0	(165,413)	2,260
0	26,973	(1,681)
0	2,935	0
0	(274)	(5,874)
0	702,684	(1,996)
\$7,147	\$1,712,261	\$37,094

**CITY OF OBERLIN, OHIO**

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**Statement of Net Assets**  
**Fiduciary Funds**  
**December 31, 2004**

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	Private Purpose Trust	
	Unclaimed Monies Fund	Agency
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 12,959	\$ 196,389
<b>Total Assets</b>	<u>12,959</u>	<u>196,389</u>
<b>Liabilities:</b>		
Due to Others	12,959	196,389
<b>Total Liabilities</b>	<u>12,959</u>	<u>196,389</u>
<b>Total Net Assets</b>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

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

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

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

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

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

##### **1. Joint Ventures with Equity Interest**

*Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1)* - The City is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. See Note 17 "Joint Ventures."

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

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

*Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2)* - The City is a participant with thirty-six subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-2 was created for that purpose. The Omega JV-2 is managed by AMP-Ohio which acts as the joint venture's agent. See Note 17 "Joint Ventures."

*Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5)* - The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. See Note 17 "Joint Ventures."

##### **B. Basis of Presentation - Fund Accounting**

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

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

###### ***Governmental Funds***

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

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

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

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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

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

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

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

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

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

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The City's only trust fund is a private purpose trust that accounts for unclaimed monies. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on an accrual basis of accounting.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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

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

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

## *CITY OF OBERLIN, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

##### **D. Basis of Accounting**

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

The modified accrual basis of accounting is followed by the governmental funds, expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on 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. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Income taxes other than those withheld by employers, licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments, including related accrued interest which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes, which are measurable at December 31, 2004 but are not intended to finance 2004 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6 "Taxes".

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

##### **D. Basis of Accounting** (Continued)

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

##### **E. Budgetary Process**

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental and expendable trust funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may be made only by ordinance of the City Council.

##### **1. Tax Budget**

The Director of Finance and the City Manager submit an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

##### **2. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2004.



## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

##### **E. Budgetary Process** (Continued)

##### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, the legal level of control. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2004, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

##### **4. Encumbrances**

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

##### **5. Lapsing of Appropriations**

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

##### **6. Budgetary Basis of Accounting**

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

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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

**E. Budgetary Process (Continued)**

**6. Budgetary Basis of Accounting (Continued)**

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

Net Change In Fund Balance	
	General Fund
GAAP Basis (as reported)	\$418,612
Increase (Decrease):	
Accrued Revenues at December 31, 2004 received during 2005	(1,014,860)
Accrued Revenues at December 31, 2003 received during 2004	634,461
Accrued Expenditures at December 31, 2004 paid during 2005	261,253
Accrued Expenditures at December 31, 2003 paid during 2004	(207,697)
2003 Prepays for 2004	51,997
2004 Prepays for 2005	(61,954)
2003 Adjustment to Fair Value	5,089
2004 Adjustment to Fair Value	14,026
Outstanding Encumbrances	(199,729)
Budget Basis	<u>(\$98,802)</u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. Restricted assets are comprised of the Electric and Sewer Bond Reserve fund balances held by the City. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments."

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon percentages mandated by City ordinance. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investments are considered, including those with a maturity of one year or less, and included in the calculation of the change in fair value. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

##### **H. Inventory**

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

##### **I. Capital Assets and Depreciation**

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

###### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the fund financial statements.

# *CITY OF OBERLIN, OHIO*

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## *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

#### **I. Capital Assets and Depreciation** (Continued)

##### **2. Property, Plant and Equipment – Business Type Activities**

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. GASB 34 allows entities to defer retroactive reporting of infrastructure for four years. As of December 31, 2004, the City had three years remaining to defer retroactive reporting of its infrastructure. The City is currently revaluating its entire infrastructure for the purpose of retroactively reporting its value. For 2004, the City has elected to show only the 2003 and 2004 additions as infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

##### **3. Depreciation**

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

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

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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

**J. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund
Mortgage Revenue Bonds	Sewer Fund Electric Fund
Special Assessment Bonds with Governmental Commitment	Special Assessment Bond Retirement Fund
OWDA Loans	Water Fund Sewer Fund
Compensated Absences	General Fund Street Construction, Maintenance, and Repair Fund County Recycling Fund Electric Fund Water Fund Sewer Fund Refuse Fund Garage Fund

**K. Compensated Absences**

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

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

##### **K. Compensated Absences** (Continued)

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

##### **L. Net Assets**

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

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

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

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

##### **N. Interfund Activity**

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

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

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

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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

**P. Estimates**

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

**Q. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems, collection of solid waste refuse, electric production and distribution and cable programming. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

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**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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**NOTE 2 – RESTATEMENT OF FUND BALANCES**

**Prior Period Adjustments** - During the year ended December 31, 2003, it was determined that income taxes receivable were misstated in the Governmental Activities and Business-Type Activities. The adjustments had the following effect on fund balances:

	General Fund	Income Tax Fund	Other Governmental Funds	Total
Fund Balance at December 31, 2003 as reported	\$5,864,743	\$1,642,588	\$1,583,283	\$9,090,614
Correction of Accounting Error for income taxes	(638,500)	(335,262)	(127,755)	(1,101,517)
Fund Balance at December 31, 2003 as restated	<u>\$5,226,243</u>	<u>\$1,307,326</u>	<u>\$1,455,528</u>	<u>\$7,989,097</u>

	Sewer Fund
Net Assets at December 31, 2003 as reported	\$4,652,311
Correction of Accounting Error for income taxes	(127,692)
Net Assets at December 31, 2003 as restated	<u>\$4,524,619</u>

The changes to the beginning fund balances had the following effect on the governmental activities and the business-type activities beginning net assets:

	Governmental Activities	Business Type Activities
Net Assets December 31, 2003 as reported	\$13,904,737	\$24,637,165
Adjustments:		
Correction of Accounting Error for income taxes	(1,101,517)	(127,692)
Net Assets December 31, 2003 as restated	<u>\$12,803,220</u>	<u>\$24,509,473</u>



**CITY OF OBERLIN, OHIO**

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*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004*

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**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

Delinquent Property Tax Revenue	\$99,156
Shared Revenues	326,308
Interest Revenues	22,504
All Other Revenue	191,031
Special Assessment Revenue	5,288
	<u>\$644,287</u>

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

General Obligation Bonds Payable	(\$1,052,195)
Special Assessment Bonds Payable	(355,499)
Capital Leases Payable	(299,162)
Accrued Interest on Long-Term Debt	(14,226)
Compensated Absences Payable	(471,718)
	<u>(\$2,192,800)</u>

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## CITY OF OBERLIN, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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#### **NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

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

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

Capital Outlay	\$756,558
Depreciation Expense	<u>(418,745)</u>
	\$337,813

*Governmental revenues not reported in the funds:*

Decrease in Delinquent Income Tax Revenue	(\$78,421)
Increase in Delinquent Property Tax	99,157
Increase in Shared Revenue	97,448
Increase in Interest Revenue	13,159
Decrease in All Other Revenue	(21,817)
Decrease in Special Assessment Revenue	<u>(49,922)</u>
	\$59,604

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

Increase in Compensated Absences Payable	(\$12,951)
Decrease in supplies inventory	<u>(690)</u>
	(\$13,641)

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

**Fund Deficits** - The fund deficits at December 31, 2004 of \$42 in the EMS Grant Fund, \$22,445 in the Downtown Revitalization Grant Fund, \$6,779 in the Police-Fire Pension Fund, \$18,895 in the Community Housing Improvement Fund (special revenue funds) and \$54,004 in the Sidewalk Improvement Fund (capital projects fund) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The fund deficit at December 31, 2004 of \$41,208 in the Court Improvement Fund was created from recording a note payable amount in the individual fund balance sheet. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

## *CITY OF OBERLIN, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

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

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

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

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

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 OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). 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. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

#### *Deposits:*

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

#### *Investments:*

- Category 1 Insured or registered with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

#### **A. Deposits**

At year end the carrying amount of the City's deposits was \$13,765,907 and the bank balance was \$14,604,904. Federal depository insurance covered \$200,000 of the bank balance. All remaining deposits were classified as Category 3..

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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

**B. Investments**

The City's investments at December 31, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$6,052,637	\$6,038,611
 <u>Non-Categorized Investments</u>		
STAR Ohio	<u>N/A</u>	<u>1,165,017</u>
Total Non-Categorized Investments	<u>N/A</u>	<u>1,165,017</u>
Total Investments	<u>\$6,052,637</u>	<u>\$7,203,628</u>

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

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,308,032	\$18,661,503
Certificates of Deposit (with maturities of more than 3 months)	12,622,892	(12,622,892)
Investments:		
STAR Ohio	<u>(1,165,017)</u>	<u>1,165,017</u>
Per GASB Statement No. 3	<u>\$13,765,907</u>	<u>\$7,203,628</u>

\* Includes cash on hand.

## *CITY OF OBERLIN, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, 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 for tax year 2003. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due by February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The Lorain County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Oberlin. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for the City's operations for the year ended December 31, 2004 was \$11.25 per \$1,000 of assessed value. The assessed value upon which the 2004 receipts were based was \$110,868,460. This amount constitutes \$102,370,740 in real property assessed value, \$1,191,180 in public utility assessed value and \$7,306,540 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.125% (11.25 mills) of assessed value.

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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**NOTE 6 - TAXES (Continued)**

**B. Income Tax**

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

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

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2004 consisted of taxes, interest, accounts receivable, special assessments, interfund loans, loans and intergovernmental receivables arising from shared revenues.

**NOTE 8 - INTERFUND BALANCES**

Individual interfund balances at December 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
Governmental Activities:		
General Fund	\$266,439	\$0
Other Governmental Funds	<u>0</u>	<u>266,439</u>
Total Governmental Activities	<u>\$266,439</u>	<u>\$266,439</u>

**CITY OF OBERLIN, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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**NOTE 9 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
General Fund	\$574,183	\$344,486
Income Tax Fund	175,000	261,553
Other Governmental Funds	<u>873,361</u>	<u>218,125</u>
Total Governmental Transfers	1,622,544	824,164
Business Type Activities:		
Water Fund	417,000	515,251
Sewer Fund	76,768	174,579
Electric Fund	624,167	1,089,861
Refuse Fund	100,000	231,624
Internal Service Fund	<u>0</u>	<u>5,000</u>
Total Business Type Transfers	<u>1,217,935</u>	<u>2,016,315</u>
Totals	<u><u>\$2,840,479</u></u>	<u><u>\$2,840,479</u></u>

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**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2004:

**Historical Cost:**

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<b>Capital assets not being depreciated:</b>				
Land	\$1,996,114	\$125,500	\$0	\$2,121,614
Construction in Progress	523,070	489,350	(358,165)	654,255
<b>Capital assets being depreciated:</b>				
Buildings	3,546,061	139,088	0	3,685,149
Machinery and Equipment	3,691,751	267,469	(33,052)	3,926,168
Infrastructure	0	286,435	0	286,435
Total Cost	<u>\$9,756,996</u>	<u>\$1,307,842</u>	<u>(\$391,217)</u>	<u>\$10,673,621</u>

**Accumulated Depreciation:**

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$855,908)	(\$89,668)	\$0	(\$945,576)
Machinery and Equipment	(2,232,337)	(319,177)	33,052	(2,518,462)
Infrastructure	0	(14,322)	0	(14,322)
Total Depreciation	<u>(\$3,088,245)</u>	<u>(\$423,167) *</u>	<u>\$33,052</u>	<u>(\$3,478,360)</u>
<b>Net Value:</b>	<u>\$6,668,751</u>			<u>\$7,195,261</u>

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

Security of Persons and Property	\$236,495
Public Health and Welfare Services	8,299
Leisure Time Activities	83,216
Community Environment	980
Transportation	54,913
General Government	39,264
Total Depreciation Expense	<u>\$423,167</u>

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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

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

Summary by Category at December 31, 2004:

***Historical Cost:***

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$175,773	\$0	\$0	\$175,773
Construction in Progress	2,971,950	747,492	(92,410)	3,627,032
<b><i>Capital assets being depreciated:</i></b>				
Buildings	404,658	51,651	0	456,309
Infrastructure	18,794,527	131,079	0	18,925,606
Machinery and Equipment	12,600,041	267,703	0	12,867,744
Total Cost	<u>\$34,946,949</u>	<u>\$1,197,925</u>	<u>(\$92,410)</u>	<u>\$36,052,464</u>

***Accumulated Depreciation:***

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$343,567)	(\$53,421)	\$0	(\$396,988)
Infrastructure	(11,191,791)	(2,463)	0	(11,194,254)
Machinery and Equipment	(7,775,893)	(821,148)	0	(8,597,041)
Total Depreciation	<u>(\$19,311,251)</u>	<u>(\$877,032)</u>	<u>\$0</u>	<u>(\$20,188,283)</u>
<b><i>Net Value:</i></b>	<u>\$15,635,698</u>	<u>\$320,893</u>	<u>(\$92,410)</u>	<u>\$15,864,181</u>

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

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

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$585,223, \$543,617 and \$509,052, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$172,760.

## *CITY OF OBERLIN, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

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

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures Ohio PERS’ health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$223,694, \$217,983 and \$206,156 respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$63,025 representing 7.75% of covered payroll for police and \$21,026 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

**CITY OF OBERLIN, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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**NOTE 12 – COMPENSATED ABSENCES**

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

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

At December 31, 2004, the City's accumulated, unpaid compensated absences amounted to \$717,603, of which \$475,998 is recorded as a liability of the Governmental Activities and \$241,605 is recorded as a liability of the Business-Type Activities.

**NOTE 13 - NOTES PAYABLE**

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

	Maturity Date	Balance December 31, 2003	Issued (Retired)	Balance December 31, 2004
Capital Projects Notes Payable:				
0.00% Guess Siegal Land	2004	\$300,000	(\$300,000)	\$0
1.58% Court Improvement	2004	320,000	(320,000)	0
2.13% Court Improvement	2004	0	220,000	220,000
Total Notes Payable		<u>\$620,000</u>	<u>(\$400,000)</u>	<u>\$220,000</u>

**CITY OF OBERLIN, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 14 - LONG-TERM DEBT**

Long-term debt of the City at December 31, 2004 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2003	Additions	(Reductions)	Balance December 31, 2004	Amount Due Within One Year
<b>Business-Type Activities:</b>								
<b>Mortgage Revenue Bond:</b>								
1980	7.25%	Wastewater Treatment Plant Improvements	2008	\$1,345,000	\$0	(\$245,000)	\$1,100,000	\$255,000
<b>Ohio Water Development Authority Loans (OWDA):</b>								
1973	7.840%	OWDA - Project #1207	2015	296,158	0	(18,073)	278,085	19,067
1990	7.840%	OWDA - Project #1807	2016	1,084,020	0	(54,468)	1,029,552	58,700
1995	7.840%	OWDA - Project #2072	2005	315,255	0	(152,626)	162,629	162,629
2000	9.185%	OWDA - Project #3293	2013	2,287,863	0	(205,692)	2,082,171	213,227
Total Ohio Water Development Authority Loans				3,983,296	0	(430,859)	3,552,437	453,623
Payable to Joint Venture				0	436,848	0	436,848	0
Compensated Absences				241,879	241,605	(241,879)	241,605	83,073
Total Business-Type Long-Term Debt				<u>\$5,570,175</u>	<u>\$678,453</u>	<u>(\$917,738)</u>	<u>\$5,330,890</u>	<u>\$791,696</u>
<b>Governmental Activities:</b>								
<b>Special Assessment Bonds:</b>								
1999	8.750%	Downtown Improvements	2005	\$32,181	\$0	(\$15,900)	\$16,281	\$15,900
2000	5.500%	Recreation Facility	2014	373,140	0	(33,922)	339,218	33,922
Total Special Assessment Bonds (with Governmental Commitment)				405,321	0	(49,822)	355,499	49,822
<b>General Obligation Bonds:</b>								
1989	6.875%	Library Bond	2009	700,000	0	(95,000)	605,000	105,000
1999	8.750%	Downtown Improvements	2005	27,819	0	(14,100)	13,719	14,100
2003	3.140%	Recreation Facility	2008	533,724	0	(100,248)	433,476	103,396
Total General Obligation Bonds				1,261,543	0	(209,348)	1,052,195	222,496
Capital Leases				380,756	0	(81,594)	299,162	81,594
Compensated Absences				468,921	475,998	(468,921)	475,998	197,959
Total Governmental Activities Long-Term Debt				<u>\$2,516,541</u>	<u>\$475,998</u>	<u>(\$809,685)</u>	<u>\$2,182,854</u>	<u>\$551,871</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2004, \$355,499, 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 \$262,586 in the Special Assessment Bond Retirement Fund at December 31, 2004 is reserved for the retirement of outstanding special assessment bonds.

## CITY OF OBERLIN, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

#### NOTE 14 - LONG-TERM DEBT (Continued)

##### **A. Future Long-Term Financing Requirements**

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2004 follows:

Years	General Obligation Bonds		Mortgage Revenue Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$222,496	\$56,440	\$255,000	\$56,460	\$49,822	\$19,582
2006	216,263	44,740	270,000	43,966	33,922	16,324
2007	229,991	33,828	280,000	30,196	33,922	14,459
2008	243,445	22,124	295,000	20,376	33,922	12,594
2009	140,000	9,626	0	0	33,922	10,728
2010-2014	0	0	0	0	169,989	25,653
2015-2018	0	0	0	0	0	0
Totals	<u>\$1,052,195</u>	<u>\$166,758</u>	<u>\$1,100,000</u>	<u>\$150,998</u>	<u>\$355,499</u>	<u>\$99,340</u>

Years	OWDA Loans		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$453,623	\$183,433	\$81,594	\$8,723	\$1,062,535	\$324,638
2006	300,474	159,477	171,578	6,517	992,237	271,024
2007	314,448	145,503	45,990	1,491	904,351	225,477
2008	329,154	130,794	0	0	901,521	185,888
2009	344,640	115,310	0	0	518,562	135,664
2010-2014	1,589,079	316,204	0	0	1,759,068	341,857
2015-2018	221,019	21,384	0	0	221,019	21,384
Totals	<u>\$3,552,437</u>	<u>\$1,072,105</u>	<u>\$299,162</u>	<u>\$16,731</u>	<u>\$6,359,293</u>	<u>\$1,505,932</u>

#### NOTE 15 - RISK MANAGEMENT

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

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

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



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 15 - RISK MANAGEMENT (Continued)**

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

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

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

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

#### **NOTE 17 - JOINT VENTURES**

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

The City is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The City's net investment and its share of the operating results of Omega JV-1 are reported in the City's electric fund (an enterprise fund). The City's equity interest in Omega JV-1 was \$25,579 at December 31, 2004. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the City's Finance Director.

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 17 - JOINT VENTURES (Continued)**

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating and Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement, each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 the City of Oberlin has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2004 was \$436,848 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$426,665 at December 31, 2004. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 17 - JOINT VENTURES (Continued)**

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

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 Oberlin has met their debt coverage obligation.

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

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

## **CITY OF OBERLIN, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 17 - JOINT VENTURES (Continued)**

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$261,080 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

#### **NOTE 18 – SUBSEQUENT EVENT**

Effective January 2005, the voters approved and City Council authorized a five year 0.2% income tax levy for the purpose of providing funds for operating and capital improvement expenses.



**Auditor of State  
Betty Montgomery**

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**CITY OF OBERLIN**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 30, 2005**