

CITY OF OBERLIN, OHIO

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA

Auditor of State

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, CPA, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 15, 2008

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CITY OF OBERLIN, OHIO

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INDEPENDENT AUDITOR'S REPORT

To Members of City Council
City of Oberlin, Ohio

The Honorable Mary Taylor
Auditor of State
State of 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, 2007, 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 of Oberlin, Ohio'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 the 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, Ohio, as of December 31, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Home RLF Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2008, on our consideration of the City of Oberlin, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oberlin, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Oberlin, Ohio. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


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

May 30, 2008

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Unaudited

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, 2007. 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 2007 are as follows:

- ❑ In total, net assets increased \$4,391,392. Net assets of governmental activities increased \$1,957,946 from 2006. Net assets of business-type activities increased \$2,433,446 from 2006.
- ❑ General revenues accounted for \$10.3 million in revenue or 39% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 61% of total revenues of \$26.6 million.
- ❑ The City had \$10.1 million in expenses related to governmental activities; only \$2.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$9.4 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$8.5 million in revenues and \$6.4 million in expenditures. The general fund's fund balance increased \$1,628,082 to \$8,923,762 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

*Management's Discussion and Analysis
For the Year Ended December 31, 2007*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting 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 the changes in net assets from the prior year. 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, 2007**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net assets between 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$12,680,494	\$12,872,156	\$18,645,017	\$16,872,587	\$31,325,511	\$29,744,743
Capital assets, Net	31,808,223	30,353,267	17,443,722	17,540,574	49,251,945	47,893,841
Total assets	44,488,717	43,225,423	36,088,739	34,413,161	80,577,456	77,638,584
Long-term debt outstanding	5,464,811	1,599,357	3,814,744	4,285,462	9,279,555	5,884,819
Other liabilities	1,563,359	6,123,465	1,163,280	1,450,430	2,726,639	7,573,895
Total liabilities	7,028,170	7,722,822	4,978,024	5,735,892	12,006,194	13,458,714
Net assets						
Invested in capital assets, net of related debt	26,889,290	29,330,984	14,510,502	14,171,173	41,399,792	43,502,157
Restricted	3,866,304	1,520,168	0	0	3,866,304	1,520,168
Unrestricted	6,704,953	4,651,449	16,600,213	14,506,096	23,305,166	19,157,545
Total net assets	<u>\$37,460,547</u>	<u>\$35,502,601</u>	<u>\$31,110,715</u>	<u>\$28,677,269</u>	<u>\$68,571,262</u>	<u>\$64,179,870</u>

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CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,497,523	\$1,271,858	\$13,734,174	\$13,481,110	\$15,231,697	\$14,752,968
Operating Grants and Contributions	1,104,836	474,058	0	0	1,104,836	474,058
Capital Grants and Contributions	30,623	60,253	2,638	438,000	33,261	498,253
General revenues:						
Property Taxes	835,652	801,274	332,671	319,221	1,168,323	1,120,495
Municipal Income Taxes	4,965,833	4,299,798	584,270	506,657	5,550,103	4,806,455
Shared Revenues	1,356,608	1,908,826	0	0	1,356,608	1,908,826
Investment Earnings	1,248,161	973,618	25,638	544,753	1,273,799	1,518,371
Miscellaneous	912,299	860,530	0	0	912,299	860,530
Total revenues	<u>11,951,535</u>	<u>10,650,215</u>	<u>14,679,391</u>	<u>15,289,741</u>	<u>26,630,926</u>	<u>25,939,956</u>
Program Expenses						
Security of Persons and Property	2,892,389	3,086,573	0	0	2,892,389	3,086,573
Public Health and Welfare Services	116,219	55,906	0	0	116,219	55,906
Leisure Time Activities	812,977	1,041,500	0	0	812,977	1,041,500
Community Development	1,134,005	970,986	0	0	1,134,005	970,986
Basic Utility Services	105,950	81,012	0	0	105,950	81,012
Transportation	2,049,031	1,590,619	0	0	2,049,031	1,590,619
General Government	2,798,068	3,820,694	0	0	2,798,068	3,820,694
Interest and Fiscal Charges	191,318	161,806	0	0	191,318	161,806
Cable	0	0	22,503	0	22,503	0
Water	0	0	1,233,689	1,394,859	1,233,689	1,394,859
Sewer	0	0	1,067,054	1,177,629	1,067,054	1,177,629
Refuse	0	0	58,111	77,930	58,111	77,930
Electric	0	0	9,758,220	8,988,992	9,758,220	8,988,992
Total expenses	<u>10,099,957</u>	<u>10,809,096</u>	<u>12,139,577</u>	<u>11,639,410</u>	<u>22,239,534</u>	<u>22,448,506</u>
Excess (deficiency) before Transfers	1,851,578	(158,881)	2,539,814	3,650,331	4,391,392	3,491,450
Transfers In (Out)	106,368	210,604	(106,368)	(210,604)	0	0
Total Change in Net Assets	1,957,946	51,723	2,433,446	3,439,727	4,391,392	3,491,450
Beginning Net Assets - as Restated	<u>35,502,601</u>	<u>35,450,878</u>	<u>28,677,269</u>	<u>25,237,542</u>	<u>64,179,870</u>	<u>60,688,420</u>
Ending Net Assets	<u><u>\$37,460,547</u></u>	<u><u>\$35,502,601</u></u>	<u><u>\$31,110,715</u></u>	<u><u>\$28,677,269</u></u>	<u><u>\$68,571,262</u></u>	<u><u>\$64,179,870</u></u>

CITY OF OBERLIN, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2007*

Unaudited

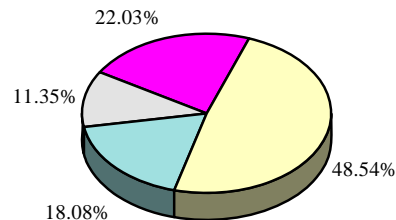
Governmental Activities

Net assets of the City's governmental activities increased by \$1,957,946. This increase was primarily due to additional revenue from various sources, including property taxes, income taxes, and investment earnings. Overall, revenues increased by 12% compared to 2006, even though inheritance tax revenue decreased on a modified accrual basis compared to 2006. There was an overall decrease in expenditures by function during 2007, mostly do to the fact that most of the work done on the new Central Garage took place during 2006. The new garage was funded by several of the departments within the City and in turn will be used to provide services to these user departments.

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

Property taxes and income taxes made up 7.0% and 41.54% respectively of revenues for governmental activities for the City in fiscal year 2007. The City's reliance upon tax revenues is demonstrated by the following graph indicating 48.54% of total revenues from general tax revenues:

Revenue Sources	2007	Percent of Total
General Shared Revenues	\$1,356,608	11.35%
Program Revenues	2,632,982	22.03%
General Tax Revenues	5,801,485	48.54%
General Other	2,160,460	18.08%
Total Revenue	<u>\$11,951,535</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities increased by \$2,433,446. This increase was due mainly to the decreases in operating expenditures in the sewer, electric and refuse funds. The City saw a substantial decrease in the costs of purchased power from Amp-Ohio between 2006 and 2007. The City also underwent sewer and water upgrades, and obtained new infrastructure for continued development in the City in 2007 compared to 2006. User rates in the enterprise funds, other than electric, are evaluated annually by management according to rate formulas approved by the legislative body. Changes to user rates are made annually when necessary to keep pace with increased operational and capital costs. The generation component of the electric rates is adjusted monthly to reflect changes in fuel and other variable costs. Periodic rate studies are used to adjust the remaining components of the electric rates.

CITY OF OBERLIN, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2007*

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$12,233,155, which is an increase from last year's balance of \$7,314,075. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2007 and 2006:

	Fund Balance December 31, 2007	Fund Balance December 31, 2006	Increase (Decrease)
General	\$8,923,762	\$7,295,680	\$1,628,082
Home RLF	52,036	42,857	9,179
Income Tax	1,361,513	1,560,278	(198,765)
Other Governmental	1,895,844	(1,584,740)	3,480,584
Total	\$12,233,155	\$7,314,075	\$4,919,080

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:

	2007 Revenues	2006 Revenues	Increase (Decrease)
Taxes	\$3,971,653	\$3,459,232	\$512,421
Intergovernmental Revenue	1,529,416	1,741,440	(212,024)
Charges for Services	161,566	181,136	(19,570)
Licenses and Permits	166,309	95,276	71,033
Fines and Forfeitures	720,275	722,103	(1,828)
Investment Earnings	1,231,961	749,547	482,414
Special Assessments	2,858	0	2,858
All Other Revenue	718,507	701,185	17,322
Total	\$8,502,545	\$7,649,919	\$852,626

General Fund revenues in 2007 increased approximately 11.1% compared to revenues in fiscal year 2006.

	2007 Expenditures	2006 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,455,844	\$2,421,883	\$33,961
Public Health and Welfare Services	117,649	109,643	8,006
Leisure Time Activities	566,465	501,521	64,944
Community Development	274,160	469,782	(195,622)
Transportation	209,470	178,039	31,431
General Government	2,840,051	2,669,557	170,494
Total	\$6,463,639	\$6,350,425	\$113,214

General Fund expenditures increased by \$113,214 or 1.8% compared to the prior year mostly due to contractual wage increases, and increases in health care and workers' comp premiums.

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.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Unaudited

During the course of fiscal year 2007 the City amended its General Fund budget several times, to adjust for various budgetary needs.

For the General Fund, final budget basis revenue of \$8.4 million was higher than the original budget estimates due mainly to higher than anticipated estate taxes, interest, and income tax collections. The General Fund had an adequate fund balance to cover expenditures.

For the Income Tax Fund, the fund balance decrease is related to the increase in transfers for the City's share of the State Issue II project during 2007 and additional expenditures related to the construction of the central service garage.

For the Home RLF Fund, the fund balance increase is related to the increased collections of principal payments on monies owed to the fund during 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007 the City had \$49,251,945 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$31,808,223 was related to governmental activities and \$17,443,722 to the business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$2,148,180	\$2,148,180	\$0
Construction in Progress	320,912	3,859,125	(3,538,213)
Buildings	9,243,039	4,103,203	5,139,836
Improvements Other Than Buildings	218,890	218,890	0
Machinery and Equipment	5,243,650	4,387,857	855,793
Infrastructure	32,872,165	32,572,248	299,917
Less: Accumulated Depreciation	(18,238,613)	(16,936,236)	(1,302,377)
Totals	\$31,808,223	\$30,353,267	\$1,454,956
	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$1,096,301	\$1,045,557	\$50,744
Construction in Progress	4,228,427	3,977,684	250,743
Buildings	3,768,079	3,768,079	0
Infrastructure	10,108,271	9,735,363	372,908
Improvements Other Than Buildings	137,387	115,198	22,189
Machinery and Equipment	13,317,755	13,574,727	(256,972)
Less: Accumulated Depreciation	(15,212,498)	(14,676,034)	(536,464)
Totals	\$17,443,722	\$17,540,574	(\$96,852)

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

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

Debt

At December 31, 2007, the City had \$5.1 million in bonds outstanding, \$677,368 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Governmental Activities:		
General Obligation Bonds	\$4,820,898	\$884,811
OPWC Loans Payable	54,538	59,301
Capital Leases	43,497	137,472
Compensated Absences	545,878	517,773
Total Governmental Activities	<u>5,464,811</u>	<u>1,599,357</u>
Business-Type Activities:		
Mortgage Revenue Bonds	\$295,000	\$575,000
OWDA Loans Payable	2,638,220	2,794,401
Payable to Joint Venture	622,666	664,368
Compensated Absences	258,858	251,693
Total Business-Type Activities	<u>3,814,744</u>	<u>4,285,462</u>
Totals	<u>\$9,279,555</u>	<u>\$5,884,819</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, 2007, 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 2007 utilized conservative revenue estimates with increases in base operating costs. Expenditures were *projected* to exceed revenues in some of the funds, including the General Fund. City Council decided they wanted to maintain current service levels to the residents of the City by utilizing reserve fund balances. Original General Fund revenues were projected to be 20% less than the actual receipts for 2007. This was due to anticipated lower revenue in estate taxes, which can vary significantly from year-to-year, anticipated lower interest rates due to market uncertainties, and conservative based budgeting for income tax collections.

General Fund expenditures were originally budgeted at 8% more than 2007 actual expenditures. Actual expenditures were less than anticipated largely due to conservative budget practices. In addition, two key positions were vacant for much of 2007 during the recruitment process.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Unaudited

City Council continues to pursue securing existing, and establishing new, revenue sources, in addition to keep focus on controlling expenditures. City Council continues to maintain the fiscal stability of the City by utilizing a conservative approach towards budgeting and keeping a close watch on economic conditions.

REQUESTS FOR INFORMATION

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

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CITY OF OBERLIN, OHIO

Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 3,232,123	\$ 2,657,796	\$ 5,889,919
Investments	8,318,438	10,433,447	18,751,885
Receivables:			
Taxes	1,861,357	468,578	2,329,935
Accounts	57,861	1,077,110	1,134,971
Intergovernmental	612,978	17,407	630,385
Interest	155,595	215,037	370,632
Special Assessments	3,927	0	3,927
Loans	517,849	0	517,849
Internal Balances	(2,156,673)	2,156,673	0
Inventory of Supplies at Cost	64,796	307,557	372,353
Prepaid Items	12,243	21,528	33,771
Restricted Assets:			
Cash and Cash Equivalents	0	7,336	7,336
Investments	0	316,100	316,100
Capital Assets:			
Capital Assets Not Being Depreciated	2,469,092	5,324,728	7,793,820
Capital Assets Being Depreciated, Net	29,339,131	12,118,994	41,458,125
Investment in Joint Venture	0	966,448	966,448
Total Assets	<u>44,488,717</u>	<u>36,088,739</u>	<u>80,577,456</u>
Liabilities:			
Accounts Payable	140,305	193,431	333,736
Accrued Wages and Benefits	330,089	168,642	498,731
Due to Others	131,988	0	131,988
Unearned Revenue	932,884	349,326	1,282,210
Accrued Interest Payable	28,093	1,881	29,974
General Obligation Notes Payable	0	450,000	450,000
Long-Term Liabilities:			
Due Within One Year	661,191	810,968	1,472,159
Due in More Than One Year	4,803,620	3,003,776	7,807,396
Total Liabilities	<u>7,028,170</u>	<u>4,978,024</u>	<u>12,006,194</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	26,889,290	14,510,502	41,399,792
Restricted For:			
Capital Projects	2,063,186	0	2,063,186
Debt Service	337,253	0	337,253
Other Purposes	1,465,865	0	1,465,865
Unrestricted	6,704,953	16,600,213	23,305,166
Total Net Assets	<u>\$ 37,460,547</u>	<u>\$ 31,110,715</u>	<u>\$ 68,571,262</u>

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Statement of Activities For the Year Ended December 31, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 2,892,389	\$ 64,181	\$ 1,950	\$ 0
Public Health and Welfare Services	116,219	38,111	0	0
Leisure Time Activities	812,977	28,468	0	0
Community Development	1,134,005	276,263	812,663	0
Basic Utility Services	105,950	2,450	59,215	0
Transportation	2,049,031	37,764	231,008	25,822
General Government	2,798,068	1,050,286	0	4,801
Interest and Fiscal Charges	191,318	0	0	0
Total Governmental Activities	10,099,957	1,497,523	1,104,836	30,623
Business-Type Activities:				
Cable	22,503	21,606	0	0
Water	1,233,689	1,745,541	0	0
Sewer	1,067,054	1,637,505	0	2,638
Refuse	58,111	408,061	0	0
Electric	9,758,220	9,921,461	0	0
Total Business-Type Activities	12,139,577	13,734,174	0	2,638
Totals	\$ 22,239,534	\$ 15,231,697	\$ 1,104,836	\$ 33,261

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
\$ (2,826,258)	\$ 0	\$ (2,826,258)
(78,108)	0	(78,108)
(784,509)	0	(784,509)
(45,079)	0	(45,079)
(44,285)	0	(44,285)
(1,754,437)	0	(1,754,437)
(1,742,981)	0	(1,742,981)
(191,318)	0	(191,318)
<u>(7,466,975)</u>	<u>0</u>	<u>(7,466,975)</u>
0	(897)	(897)
0	511,852	511,852
0	573,089	573,089
0	349,950	349,950
0	163,241	163,241
<u>0</u>	<u>1,597,235</u>	<u>1,597,235</u>
<u>(7,466,975)</u>	<u>1,597,235</u>	<u>(5,869,740)</u>
835,652	332,671	1,168,323
4,965,833	584,270	5,550,103
1,356,608	0	1,356,608
1,248,161	25,638	1,273,799
912,299	0	912,299
106,368	(106,368)	0
<u>9,424,921</u>	<u>836,211</u>	<u>10,261,132</u>
1,957,946	2,433,446	4,391,392
<u>35,502,601</u>	<u>28,677,269</u>	<u>64,179,870</u>
<u>\$ 37,460,547</u>	<u>\$ 31,110,715</u>	<u>\$ 68,571,262</u>

CITY OF OBERLIN, OHIO

Balance Sheet
Governmental Funds
December 31, 2007

	General	Home RLF	Income Tax	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,109,584	\$ 52,036	\$ 161,052	\$ 1,873,660	\$ 3,196,332
Investments	6,581,138	0	956,873	780,427	8,318,438
Receivables:					
Taxes	1,177,564	0	255,051	428,742	1,861,357
Accounts	57,861	0	0	0	57,861
Intergovernmental	476,068	0	0	136,910	612,978
Interest	133,950	0	21,645	0	155,595
Special Assessments	3,125	0	0	802	3,927
Loans	0	456,482	0	61,367	517,849
Interfund Loans Receivables	565,463	0	0	0	565,463
Inventory of Supplies, at Cost	9,619	0	0	49,501	59,120
Prepaid Items	12,243	0	0	0	12,243
Total Assets	\$ 10,126,615	\$ 508,518	\$ 1,394,621	\$ 3,331,409	\$ 15,361,163
Liabilities:					
Accounts Payable	42,611	0	23,564	73,016	139,191
Accrued Wages and Benefits Payable	237,464	0	0	88,594	326,058
Due to Others	0	0	0	131,988	131,988
Interfund Loans Payable	0	0	0	560,463	560,463
Deferred Revenue	922,778	456,482	9,544	581,504	1,970,308
Total Liabilities	1,202,853	456,482	33,108	1,435,565	3,128,008
Fund Balances:					
Reserved for Encumbrances	183,524	4,805	243,690	677,627	1,109,646
Reserved for Prepaid Items	12,243	0	0	0	12,243
Reserved for Supplies Inventory	9,619	0	0	49,501	59,120
Reserved for Endowments	0	0	0	27,259	27,259
Undesignated/Unreserved in:					
General Fund	8,718,376	0	0	0	8,718,376
Special Revenue Funds	0	47,231	0	652,009	699,240
Debt Service Funds	0	0	0	365,346	365,346
Capital Projects Funds	0	0	1,117,823	124,102	1,241,925
Total Fund Balances	8,923,762	52,036	1,361,513	1,895,844	12,233,155
Total Liabilities and Funds Balances	\$ 10,126,615	\$ 508,518	\$ 1,394,621	\$ 3,331,409	\$ 15,361,163

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2007***

Total Governmental Fund Balances	\$ 12,233,155
<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.	26,803,776
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,037,424
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.	2,867,377
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,481,185)
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 37,460,547</u></u>

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2007

	General	Home RLF	Income Tax	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 466,859	\$ 0	\$ 0	\$ 352,731	\$ 819,590
Municipal Income Tax	3,504,794	0	1,460,454	585	4,965,833
Intergovernmental Revenues	1,529,416	50,000	0	1,106,046	2,685,462
Charges for Services	161,566	0	0	12,520	174,086
Licenses and Permits	166,309	0	0	0	166,309
Investment Earnings	1,231,961	494	0	44,779	1,277,234
Special Assessments	2,858	0	0	27,328	30,186
Fines and Forfeitures	720,275	0	0	97,227	817,502
All Other Revenue	718,507	9,378	0	224,189	952,074
Total Revenue	8,502,545	59,872	1,460,454	1,865,405	11,888,276
Expenditures:					
Current:					
Security of Persons and Property	2,455,844	0	0	272,114	2,727,958
Public Health and Welfare Services	117,649	0	0	0	117,649
Leisure Time Activities	566,465	0	0	17,233	583,698
Community Development	274,160	50,693	0	805,845	1,130,698
Basic Utility Services	0	0	0	121,390	121,390
Transportation	209,470	0	0	381,363	590,833
General Government	2,840,051	0	0	87,702	2,927,753
Capital Outlay	0	0	1,191,071	1,483,081	2,674,152
Debt Service:					
Principal Retirement	0	0	2,793	265,883	268,676
Interest & Fiscal Charges	0	0	0	171,653	171,653
Total Expenditures	6,463,639	50,693	1,193,864	3,606,264	11,314,460
Excess (Deficiency) of Revenues Over Expenditures	2,038,906	9,179	266,590	(1,740,859)	573,816
Other Financing Sources (Uses):					
Sale of Capital Assets	0	0	0	6,522	6,522
General Obligation Bonds Issued	0	0	0	4,200,000	4,200,000
Transfers In	500	0	71,541	1,393,088	1,465,129
Transfers Out	(413,020)	0	(536,896)	(416,345)	(1,366,261)
Total Other Financing Sources (Uses)	(412,520)	0	(465,355)	5,183,265	4,305,390
Net Change in Fund Balances	1,626,386	9,179	(198,765)	3,442,406	4,879,206
Fund Balances (Deficit) at Beginning of Year	7,295,680	42,857	1,560,278	(1,584,740)	7,314,075
Increase in Inventory Reserve	1,696	0	0	38,178	39,874
Fund Balances End of Year	\$ 8,923,762	\$ 52,036	\$ 1,361,513	\$ 1,895,844	\$ 12,233,155

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2007***

Net Change in Fund Balances - Total Governmental Funds \$ 4,879,206

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. 73,563

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain on the disposal of capital assets net of proceeds received. 119

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 56,737

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. (3,837,349)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (19,665)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 14,411

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.

Change in Net Assets of Governmental Activities

790,924
\$ 1,957,946

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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 491,213	\$ 491,213	\$ 466,859	\$ (24,354)
Municipal Income Tax	3,008,000	3,008,000	3,307,691	299,691
Intergovernmental Revenue	1,283,872	1,733,872	1,954,272	220,400
Charges for Services	73,000	73,000	162,973	89,973
Licenses and Permits	146,000	146,000	157,154	11,154
Investment Earnings	400,000	900,000	1,211,386	311,386
Special Assessments	0	0	2,858	2,858
Fines and Forfeitures	686,000	686,000	723,361	37,361
All Other Revenues	728,993	728,993	717,862	(11,131)
Total Revenues	<u>6,817,078</u>	<u>7,767,078</u>	<u>8,704,416</u>	<u>937,338</u>
Expenditures:				
Current:				
Security of Persons and Property	2,642,834	2,625,406	2,507,034	118,372
Public Health and Welfare Services	121,650	122,250	118,541	3,709
Leisure Time Activities	575,098	592,146	575,955	16,191
Community Environment	489,146	448,248	358,979	89,269
Transportation	187,637	213,587	209,167	4,420
General Government	3,492,207	3,525,333	3,028,828	496,505
Total Expenditures	<u>7,508,572</u>	<u>7,526,970</u>	<u>6,798,504</u>	<u>728,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(691,494)	240,108	1,905,912	1,665,804
Other Financing Sources (Uses):				
Sale of Capital Assets	2,000	2,000	0	(2,000)
Transfers In	0	0	500	500
Transfers Out	(237,600)	(413,020)	(413,020)	0
Advances In	199,648	647,031	647,031	0
Advances Out	(199,697)	(614,277)	(565,463)	48,814
Total Other Financing Sources (Uses):	<u>(235,649)</u>	<u>(378,266)</u>	<u>(330,952)</u>	<u>47,314</u>
Net Change In Fund Balance	(927,143)	(138,158)	1,574,960	1,713,118
Fund Balance at Beginning of Year	5,597,232	5,597,232	5,597,232	0
Prior Year Encumbrances	326,441	326,441	326,441	0
Fund Balance at End of Year	<u>\$ 4,996,530</u>	<u>\$ 5,785,515</u>	<u>\$ 7,498,633</u>	<u>\$ 1,713,118</u>

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)
Special Revenue Fund – Home RLF Fund
For The Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	49,300	49,300	50,000	700
Investment Earnings	350	350	494	144
All Other Revenues	12,000	12,000	9,378	(2,622)
Total Revenues	61,650	61,650	59,872	(1,778)
Expenditures:				
Current:				
Community Environment	98,450	98,450	55,498	42,952
Total Expenditures	98,450	98,450	55,498	42,952
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,800)	(36,800)	4,374	41,174
Other Financing Sources (Uses):				
Advances Out	(49,300)	(49,300)	(49,150)	150
Total Other Financing Sources (Uses):	(49,300)	(49,300)	(49,150)	150
Net Change In Fund Balance	(86,100)	(86,100)	(44,776)	41,324
Fund Balance at Beginning of Year	38,509	38,509	38,509	0
Prior Year Encumbrances	53,498	53,498	53,498	0
Fund Balance at End of Year	\$ 5,907	\$ 5,907	\$ 47,231	\$ 41,324

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2007

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 332,139	\$ 554,918	\$ 869,002	\$ 831,279
Investments	1,973,369	3,296,989	5,163,089	0
Receivables:				
Taxes	0	102,034	0	366,544
Accounts	144,508	132,081	765,880	30,840
Intergovernmental	0	0	0	17,407
Interest	51,676	56,948	106,413	0
Inventory of Supplies at Cost	18,245	1,672	287,640	0
Prepaid Items	3,172	4,212	12,331	1,813
Restricted Assets:				
Cash and Cash Equivalents	0	7,336	0	0
Investments	0	316,100	0	0
<i>Total Current Assets</i>	<u>2,523,109</u>	<u>4,472,290</u>	<u>7,204,355</u>	<u>1,247,883</u>
<i>Non Current Assets:</i>				
Capital Assets, Net	6,718,333	7,832,466	2,618,387	267,109
Investment in Joint Venture	0	0	966,448	0
Total Assets	<u><u>9,241,442</u></u>	<u><u>12,304,756</u></u>	<u><u>10,789,190</u></u>	<u><u>1,514,992</u></u>

CITY OF OBERLIN, OHIO

Cable	Total	Governmental Activities - Internal Service Funds
\$ 70,458	\$ 2,657,796	\$ 35,791
0	10,433,447	0
0	468,578	0
3,801	1,077,110	0
0	17,407	0
0	215,037	0
0	307,557	5,676
0	21,528	0
0	7,336	0
0	316,100	0
74,259	15,521,896	41,467
7,427	17,443,722	5,004,447
0	966,448	0
81,686	33,932,066	5,045,914

(Continued)

CITY OF OBERLIN, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	32,860	43,255	103,551	13,765
Accrued Wages and Benefits	47,198	24,444	85,254	11,746
Interfund Loans Payable	0	0	0	0
Deferred Revenue	0	0	0	349,326
General Obligation Notes Payable	0	0	450,000	0
Mortgage Revenue Bonds - Current	0	295,000	0	0
Ohio Water Development Authority Loans - Current	88,268	333,390	0	0
<i>Total Current Liabilities</i>	<u>168,326</u>	<u>696,089</u>	<u>638,805</u>	<u>374,837</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	56,747	49,037	135,642	17,432
Accrued Interest Payable	0	0	1,881	0
OWDA Loans Payable	74,083	2,142,479	0	0
Payable to Joint Venture	0	0	622,666	0
Total Liabilities	<u>299,156</u>	<u>2,887,605</u>	<u>1,398,994</u>	<u>392,269</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	6,555,982	5,061,597	2,618,387	267,109
Unrestricted	2,386,304	4,355,554	6,771,809	855,614
Total Net Assets	<u>\$ 8,942,286</u>	<u>\$ 9,417,151</u>	<u>\$ 9,390,196</u>	<u>\$ 1,122,723</u>

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

Cable	Total	Governmental Activities - Internal Service Funds
0	193,431	1,114
0	168,642	4,031
0	0	5,000
0	349,326	0
0	450,000	0
0	295,000	0
0	421,658	0
0	1,878,057	10,145
0	258,858	11,719
0	1,881	0
0	2,216,562	0
0	622,666	0
0	4,978,024	21,864
7,427	14,510,502	5,004,447
74,259	14,443,540	19,603
\$ 81,686	28,954,042	\$ 5,024,050
	2,156,673	
	\$ 31,110,715	

CITY OF OBERLIN, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2007

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
Operating Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 332,671
Municipal Income Taxes	0	584,270	0	0
Charges for Services	1,828,959	1,665,740	9,937,578	408,061
Total Operating Revenues	<u>1,828,959</u>	<u>2,250,010</u>	<u>9,937,578</u>	<u>740,732</u>
Operating Expenses:				
Personal Services	894,611	587,370	1,964,005	240,053
Contractual Services	213,280	196,342	1,294,348	274,681
Materials and Supplies	71,986	31,629	22,092	0
Purchased Power	0	0	5,410,827	0
Depreciation	103,220	146,834	569,601	63,984
Total Operating Expenses	<u>1,283,097</u>	<u>962,175</u>	<u>9,260,873</u>	<u>578,718</u>
Operating Income (Loss)	545,862	1,287,835	676,705	162,014
Nonoperating Revenue (Expenses):				
Investment Earnings	0	6,411	19,227	0
Interest Expense	(14,652)	(167,813)	(419,293)	0
Gain (Loss) on the Sale of Capital Assets	(83,418)	(28,235)	19,660	0
Loss on Investment in Joint Venture	0	0	(35,777)	0
Total Nonoperating Revenues (Expenses)	<u>(98,070)</u>	<u>(189,637)</u>	<u>(416,183)</u>	<u>0</u>
Income (Loss) Before Transfers and Contributions	447,792	1,098,198	260,522	162,014
Transfers In	0	36,995	0	10,000
Transfers Out	0	0	(71,541)	(81,822)
Capital Contributions	0	2,638	0	0
Change in Net Assets	447,792	1,137,831	188,981	90,192
Restated Net Assets Beginning of Year (See Note 3)	<u>8,494,494</u>	<u>8,279,320</u>	<u>9,201,215</u>	<u>1,032,531</u>
Net Assets End of Year	<u>\$ 8,942,286</u>	<u>\$ 9,417,151</u>	<u>\$ 9,390,196</u>	<u>\$ 1,122,723</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

Cable	Total	Governmental Activities - Internal Service Funds
\$ 0	\$ 332,671	\$ 0
0	584,270	0
21,606	13,861,944	297,101
21,606	14,778,885	297,101
0	3,686,039	118,334
16,923	1,995,574	57,604
0	125,707	2,126
0	5,410,827	0
5,580	889,219	56,945
22,503	12,107,366	235,009
(897)	2,671,519	62,092
0	25,638	0
0	(601,758)	0
0	(91,993)	(32,681)
0	(35,777)	0
0	(703,890)	(32,681)
(897)	1,967,629	29,411
0	46,995	10,000
0	(153,363)	(2,500)
0	2,638	1,323,560
(897)	1,863,899	1,360,471
82,583	27,090,143	3,663,579
\$ 81,686	28,954,042	\$ 5,024,050
	1,863,899	
	569,547	
	\$ 2,433,446	

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,807,071	\$2,200,135	\$10,008,932	\$732,198
Cash Payments for Goods and Services	(348,735)	(198,084)	(6,700,063)	(293,215)
Cash Payments to Employees	(918,237)	(592,451)	(1,980,487)	(229,640)
Net Cash Provided by Operating Activities	<u>540,099</u>	<u>1,409,600</u>	<u>1,328,382</u>	<u>209,343</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	0	36,995	0	10,000
Transfers Out to Other Funds	0	0	(71,541)	(81,822)
Advances In from Other Funds	0	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>36,995</u>	<u>(71,541)</u>	<u>(71,822)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(666,395)	(104,539)	(117,416)	0
General Obligation Notes Issued	0	0	450,000	0
Principal Paid on General Obligation Notes	0	0	(700,000)	0
Principal Paid on Mortgage Revenue Bonds	0	(280,000)	0	0
Proceeds from Ohio Water Development Authority Loans	248,880	0	0	0
Principal Paid on Ohio Water Development Authority Loans	(86,529)	(318,532)	0	0
Interest Paid on All Debt	(14,652)	(443,674)	(420,297)	0
Net Cash Used for Capital and Related Financing Activities	<u>(518,696)</u>	<u>(1,146,745)</u>	<u>(787,713)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	0	(129,169)	0	0
Sale of Investments	284,281	0	296,767	0
Receipts of Interest	0	295,993	39,130	0
Net Cash Provided by Investing Activities	<u>284,281</u>	<u>166,824</u>	<u>335,897</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	305,684	466,674	805,025	137,521
Cash and Cash Equivalents at Beginning of Year	26,455	95,580	63,977	693,758
Cash and Cash Equivalents at End of Year	<u>\$332,139</u>	<u>\$562,254</u>	<u>\$869,002</u>	<u>\$831,279</u>

CITY OF OBERLIN, OHIO

Cable	Total	Governmental Activities - Internal Service Funds
\$17,805	\$14,766,141	\$297,101
(16,923)	(7,557,020)	(71,245)
0	(3,720,815)	(119,414)
882	3,488,306	106,442
0	46,995	10,000
0	(153,363)	(2,500)
0	0	5,000
0	(106,368)	12,500
0	(888,350)	(147,340)
0	450,000	0
0	(700,000)	0
0	(280,000)	0
0	248,880	0
0	(405,061)	0
0	(878,623)	0
0	(2,453,154)	(147,340)
0	(129,169)	0
0	581,048	0
0	335,123	0
0	787,002	0
882	1,715,786	(28,398)
69,576	949,346	64,189
\$70,458	\$2,665,132	\$35,791

(Continued)

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	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)	\$545,862	\$1,287,835	\$676,705	\$162,014
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Miscellaneous Nonoperating Revenues	2,053	5,955	19,660	0
Depreciation Expense	103,220	146,834	569,601	63,984
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(23,941)	(55,830)	51,694	(18,562)
Decrease (Increase) in Inventory	(1,807)	7,128	(5,391)	0
Decrease (Increase) in Prepaid Items	39	125	(310)	324
Increase (Decrease) in Accounts Payable	(61,748)	22,939	27,702	(18,698)
Increase (Decrease) in Accrued				
Wages and Benefits	(9,979)	(10,987)	(20,439)	4,249
Increase in Deferred Revenue	0	0	0	10,028
Increase (Decrease) in				
Compensated Absences	(13,600)	5,601	9,160	6,004
Total Adjustments	(5,763)	121,765	651,677	47,329
Net Cash Provided by Operating Activities	<u>\$540,099</u>	<u>\$1,409,600</u>	<u>\$1,328,382</u>	<u>\$209,343</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2007, the Water, Sewer and Electric Funds had outstanding liabilities of \$13,482, \$4,539 and \$18,839 respectively, for the purchase of certain capital assets.

During 2007, the Sewer and Garage Funds received \$2,638 and \$1,323,560, respectively, of capital contributions from other sources.

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Cable	Total	Governmental Activities - Internal Service Funds
(\$897)	\$2,671,519	\$62,092
0	27,668	0
5,580	889,219	56,945
(3,801)	(50,440)	0
0	(70)	849
0	178	0
0	(29,805)	(12,364)
0	(37,156)	(3,722)
0	10,028	0
0	7,165	2,642
1,779	816,787	44,350
\$882	\$3,488,306	\$106,442

CITY OF OBERLIN, OHIO

Statement of Net Assets
Fiduciary Funds
December 31, 2007

	Private Purpose Trust	
	Unclaimed Monies Fund	Agency
Assets:		
Cash and Cash Equivalents	\$ 12,959	\$ 200,113
Receivables:		
Taxes	0	590,983
Intergovernmental	0	31,086
Total Assets	<u>12,959</u>	<u>822,182</u>
Liabilities:		
Due to Others	12,959	822,182
Total Liabilities	<u>\$ 12,959</u>	<u>\$ 822,182</u>

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

1. Joint Ventures with Equity Interest

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) - The City is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 18 "Joint Ventures."

Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2) - The City is a participant with thirty-six subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-2 was created for that purpose. The Omega JV-2 is managed by AMP-Ohio which acts as the joint venture's agent. See Note 18 "Joint Ventures."

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Joint Ventures with Equity Interest (Continued)

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

Ohio Municipal Electric Generation Agency Joint Venture 6 (Omega JV-6) - The City is a participant with ten subdivisions within the State of Ohio in a distributive generation project using wind turbine technology. The Omega JV-6 was created for that purpose. See Note 18 "Joint Ventures."

B. Basis of Presentation - Fund Accounting

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

The accounting system is organized and operated on the basis of funds 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.

Home RLF Fund - To account for financial resources from Community Housing Improvement Program (CHIP) funds used for full residential rehabilitation, down payment assistance with rehabilitation or new construction activities and any related soft costs and administrative expenses.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

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 generation and distribution service.

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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 a full accrual basis of accounting. These funds are used to account for monies received by the City in situations where the City's role is purely custodial in nature. The two funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, and the Library Levy Fund, which accounts for property taxes collected to fund the operations of the Library.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

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 internal service funds are eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation.

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and 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.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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, 2007 but are not intended to finance 2007 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 fiduciary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

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 funds are required to be reported. The only funds required to be reported in the basic financial statements are the general fund and any major special revenue funds. The primary level of budgetary control is between categories within each department. Budgetary modifications may be made between categories by ordinance of the City Council.

1. Tax Budget

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund and category level, the legal level of control. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among fund and category level may be modified during the year by an ordinance of City Council. During 2007, 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.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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 and the Home RLF Fund:

	Net Change In Fund Balance	
	General Fund	Home RLF Fund
GAAP Basis (as reported)	\$1,626,386	\$9,179
Increase (Decrease):		
Accrued Revenues at December 31, 2007 received during 2008	(1,491,253)	0
Accrued Revenues at December 31, 2006 received during 2007	1,776,964	0
Accrued Expenditures at December 31, 2007 paid during 2008	280,075	0
Accrued Expenditures at December 31, 2006 paid during 2007	(411,865)	(49,150)
2006 Prepays for 2007	12,606	
2007 Prepays for 2008	(12,243)	
2006 Adjustment to Fair Value	(13,621)	0
2007 Adjustment to Fair Value	11,349	0
Outstanding Encumbrances	(203,438)	(4,805)
Budget Basis	\$1,574,960	(\$44,776)

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

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 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 2007. 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, 2007.

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. All infrastructure acquired prior to the implementation of GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", have been reported.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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
OPWC Loans	Income Tax Fund General Obligation Bond Retirement Fund
Capital Leases	Income Tax 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 appropriate authority. Any excess is eliminated from the employee's leave balance. In case of death, termination, or retirement, an employee or his estate is paid for the unused vacation balance.

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net 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.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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 2007.

CITY OF OBERLIN, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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	\$46,124
Shared Revenues	394,222
Interest Revenues	75,302
All Other Revenue	517,849
Special Assessment Revenue	3,927
	<hr/>
	\$1,037,424

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$4,583,446)
Special Assessment Bonds Payable	(237,452)
Capital Leases Payable	(43,497)
OPWC Loans Payable	(54,538)
Accrued Interest on Long-Term Debt	(28,093)
Compensated Absences Payable	(534,159)
	<hr/>
	(\$5,481,185)

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CITY OF OBERLIN, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2007*

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net 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	\$1,703,091
Depreciation Expense	(1,629,528)
	<u>\$73,563</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Property Tax	\$16,062
Decrease in Shared Revenue	(193,395)
Decrease in Interest Revenue	(29,073)
Increase in All Other Revenue	259,954
Increase in Special Assessment Revenue	3,189
	<u>\$56,737</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$25,463)
Increase in supplies inventory	39,874
	<u>\$14,411</u>

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

A. Change in Accounting Principle

For fiscal year 2007, the City has implemented GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*”

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold. The implementation of GASB statement No. 48 did not have an effect on the financial statements of the City.

B. Prior Period Adjustment

During the year ended December 31, 2006, it was discovered that there was an error in the reporting of certain capital assets to both the Water Fund and the Sewer Fund. The adjustment had the following effect on net assets for the City’s proprietary funds:

	Net assets at December 31, 2006 (as reported)	Restate Capital Assets	Net assets at December 31, 2006 (as restated)
Water Fund	\$9,643,660	(\$1,149,166)	\$8,494,494
Sewer Fund	7,130,154	1,149,166	8,279,320
Total	<u>\$16,773,814</u>	<u>\$0</u>	<u>\$16,773,814</u>

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2007 of \$98,679 in the Downtown Revitalization Grant Fund, \$43,292 in the Police-Fire Pension Fund (special revenue funds) and \$57,872 in the Sidewalk Improvement Fund (capital projects fund) arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

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;

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

A. Deposits

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

At year end the carrying amount of the City's deposits was \$21,124,576 and the bank balance was \$19,465,312. Federal depository insurance covered \$400,000 of the bank balance. All remaining deposits were classified as Category 3.

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$21,124,576</u>
Total Balance	<u><u>\$21,124,576</u></u>

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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

B. Investments

The City's investments at December 31, 2007 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
U.S. Treasury Bill	\$316,100	N/A	\$316,100	\$0
FHLMC	1,000,273	AAA ¹ / Aaa ²	0	1,000,273
STAR Ohio	2,737,363	AAAm ¹	2,737,363	0
Total Investments	<u>\$4,053,736</u>		<u>\$3,053,463</u>	<u>\$1,000,273</u>

¹ Standard & Poor's

² Moody's Investor Service

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

Credit Risk – The City's investments in FHLMC securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk – The City's investments in FHLMC securities in the amount of \$1,000,273 is uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$6,110,327	\$19,067,985
Certificates of Deposit (with maturities of more than 3 months)	17,751,612	(17,751,612)
Investments:		
STAR Ohio	<u>(2,737,363)</u>	<u>2,737,363</u>
Per GASB Statement No. 3	<u>\$21,124,576</u>	<u>\$4,053,736</u>

* Includes cash on hand.

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 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, 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 2006. 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.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

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, 2007 was \$13.83 per \$1,000 of assessed value. The assessed value upon which the 2007 receipts were based was \$124,979,648. This amount constitutes \$119,119,590 in real property assessed value, \$878,730 in public utility assessed value and \$4,981,328 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 1.383% (13.83 mills) of assessed value.

B. Income Tax

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

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2007 consisted of taxes, interest, accounts receivable, special assessments, interfund loans, loans and intergovernmental receivables arising from shared revenues.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 8 - INTERFUND BALANCES

Individual interfund balances at December 31, 2007 are as follows:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Activities:		
General Fund	\$565,463	\$0
Other Governmental Funds	0	565,463
Totals	\$565,463	\$565,463

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2007:

Transfers In:							
Transfers Out:	General Fund	Income Tax Fund	Other Governmental Funds	Sewer Fund	Refuse Fund	Internal Service Fund	Total
General Fund	\$0	\$0	\$403,020	\$0	\$0	\$10,000	\$413,020
Income Tax Fund	0	0	536,896	0	0	0	536,896
Other Governmental Fund	500	0	405,845	0	10,000	0	416,345
Electric Fund	0	71,541	0	0	0	0	71,541
Refuse Fund	0	0	44,827	36,995	0	0	81,822
Internal Service Fund	0	0	2,500	0	0	0	2,500
	\$500	\$71,541	\$1,393,088	\$36,995	\$10,000	\$10,000	\$1,522,124

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2007:

Historical Cost:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$2,148,180	\$0	\$0	\$2,148,180
Construction in Progress	3,859,125	293,547	(3,831,760)	320,912
Subtotal	<u>6,007,305</u>	<u>293,547</u>	<u>(3,831,760)</u>	<u>2,469,092</u>
<i>Capital assets being depreciated:</i>				
Buildings	4,103,203	5,139,836	0	9,243,039
Improvements Other than Buildings	218,890	0	0	218,890
Machinery and Equipment	4,387,857	1,250,346	(394,553)	5,243,650
Infrastructure	32,572,248	462,253	(162,336)	32,872,165
Subtotal	<u>41,282,198</u>	<u>6,852,435</u>	<u>(556,889)</u>	<u>47,577,744</u>
Total Cost	<u><u>\$47,289,503</u></u>	<u><u>\$7,145,982</u></u>	<u><u>(\$4,388,649)</u></u>	<u><u>\$50,046,836</u></u>

Accumulated Depreciation:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$1,134,496)	(\$156,156)	\$0	(\$1,290,652)
Improvements Other than Buildings	(9,120)	(7,296)	5,472	(10,944)
Machinery and Equipment	(3,170,810)	(520,752)	376,603	(3,314,959)
Infrastructure	(12,621,810)	(1,072,010)	71,762	(13,622,058)
Total Depreciation	<u>(\$16,936,236)</u>	<u>(\$1,756,214) *</u>	<u>\$453,837</u>	<u>(\$18,238,613)</u>
<i>Net Value:</i>	<u><u>\$30,353,267</u></u>			<u><u>\$31,808,223</u></u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$307,134
Public Health and Welfare Services	13,244
Leisure Time Activities	235,436
Community Environment	70
Transportation	1,163,369
General Government	<u>36,961</u>
Total Depreciation Expense	<u><u>\$1,756,214</u></u>

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 10 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2007:

Historical Cost:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$1,045,557	\$50,744	\$0	\$1,096,301
Construction in Progress	3,977,684	250,743	0	4,228,427
Subtotal	<u>5,023,241</u>	<u>301,487</u>	<u>0</u>	<u>5,324,728</u>
<i>Capital assets being depreciated:</i>				
Buildings	3,768,079	0	0	3,768,079
Infrastructure	9,735,363	513,583	(140,675)	10,108,271
Improvements Other than Buildings	115,198	22,189	0	137,387
Machinery and Equipment	13,574,727	72,131	(329,103)	13,317,755
Subtotal	<u>27,193,367</u>	<u>607,903</u>	<u>(469,778)</u>	<u>27,331,492</u>
Total Cost	<u>\$32,216,608</u>	<u>\$909,390</u>	<u>(\$469,778)</u>	<u>\$32,656,220</u>

Accumulated Depreciation:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$2,483,209)	(\$33,479)	\$0	(\$2,516,688)
Infrastructure	(1,917,656)	(111,866)	29,331	(2,000,191)
Improvements Other than Buildings	(11,520)	(5,163)	0	(16,683)
Machinery and Equipment	(10,263,649)	(738,711)	323,424	(10,678,936)
Total Depreciation	<u>(\$14,676,034)</u>	<u>(\$889,219)</u>	<u>\$352,755</u>	<u>(\$15,212,498)</u>

Net Value:

	<u>\$17,540,574</u>			<u>\$17,443,722</u>
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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

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."

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, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% 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, 2007, 2006, and 2005 were \$660,678, \$622,785 and \$600,924, respectively, which were equal to the required contributions for each year.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. 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 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$262,362.

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, 2006. The individual entry age 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 annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. 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 .50% to 5% 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 for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

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, 2007, 2006, and 2005 were \$261,683, \$248,252 and \$238,282 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 2007 covered payroll that was used to fund postemployment health care benefits was \$65,550 representing 6.75% of covered payroll for police and \$20,339 representing 6.75% 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, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 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, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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, 2007, the City's accumulated, unpaid compensated absences amounted to \$804,736, of which \$545,878 is recorded as a liability of the Governmental Activities and \$258,858 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, 2006	Issued (Retired)	Balance December 31, 2007
Capital Projects Notes Payable:				
4.50% Municipal Service Center	2007	\$4,200,000	(\$4,200,000)	\$0
4.50% Municipal Service Center	2008	0	4,200,000	
		<u>0</u>	<u>(4,200,000)</u>	<u>0</u>
Total Capital Projects Notes Payable		<u>4,200,000</u>	<u>(4,200,000)</u>	<u>0</u>
Enterprise Notes Payable:				
3.45% AMP Ohio	2007	700,000	(700,000)	0
3.50% AMP Ohio	2008	0	450,000	450,000
Total Enterprise Notes Payable		<u>700,000</u>	<u>(250,000)</u>	<u>450,000</u>
Total Notes Payable		<u><u>\$4,900,000</u></u>	<u><u>(\$4,450,000)</u></u>	<u><u>\$450,000</u></u>

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2007 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2006	Additions	(Reductions)	Balance December 31, 2007	Amount Due Within One Year
Business-Type Activities:								
Mortgage Revenue Bond:								
1983	Variable	Wastewater Treatment Plant Improvements	2008	\$575,000	\$0	(\$280,000)	\$295,000	\$295,000
Ohio Water Development Authority Loans (OWDA):								
1973	5.500%	OWDA - Project #1207	2015	238,903	0	(21,222)	217,681	22,389
1990	7.770%	OWDA - Project #1807	2016	907,591	0	(68,176)	839,415	73,474
2000	3.630%	OWDA - Project #3293	2013	1,647,907	0	(229,134)	1,418,773	237,527
2007	2.000%	OWDA - Project #4594	2012	0	248,880	(86,529)	162,351	88,268
Total Ohio Water Development Authority Loans				2,794,401	248,880	(405,061)	2,638,220	421,658
Payable to Joint Venture				664,368	0	(41,702)	622,666	0
Compensated Absences				251,693	258,858	(251,693)	258,858	94,310
Total Business-Type Long-Term Debt				\$4,285,462	\$507,738	(\$978,456)	\$3,814,744	\$810,968
Governmental Activities:								
General Obligation Bonds:								
1989	6.875%	Library Bond	2009	\$390,000	\$0	(\$120,000)	\$270,000	\$130,000
2000	5.500%	Recreation Facility	2014	271,374	0	(33,922)	237,452	33,922
2003	3.140%	Recreation Facility	2008	223,437	0	(109,991)	113,446	113,446
2007	6.000%	Municipal Service Center	2027	0	4,200,000	0	4,200,000	105,000
Total General Obligation Bonds				884,811	4,200,000	(263,913)	4,820,898	382,368
Ohio Public Works Commission Loans:								
2006	6.875%	East Hamilton Road	2017	30,729	0	(2,793)	27,936	2,793
2006	3.140%	North Professor Street	2021	28,572	0	(1,970)	26,602	1,970
Total Ohio Public Commission Loans				59,301	0	(4,763)	54,538	4,763
Capital Leases				137,472	0	(93,975)	43,497	43,497
Compensated Absences				517,773	545,878	(517,773)	545,878	230,563
Total Governmental Activities Long-Term Debt				\$1,599,357	\$4,745,878	(\$880,424)	\$5,464,811	\$661,191

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CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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, 2007 follows:

Years	General Obligation Bonds		Mortgage Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$382,368	\$274,766	\$295,000	\$20,376	\$43,497	\$1,914
2009	318,922	211,354	0	0	0	0
2010	183,922	191,162	0	0	0	0
2011	193,922	180,296	0	0	0	0
2012	198,922	168,831	0	0	0	0
2013-2017	997,842	670,464	0	0	0	0
2018-2022	1,135,000	440,494	0	0	0	0
2023-2027	1,410,000	183,330	0	0	0	0
Totals	<u>\$4,820,898</u>	<u>\$2,320,697</u>	<u>\$295,000</u>	<u>\$20,376</u>	<u>\$43,497</u>	<u>\$1,914</u>

Years	OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest
2008	\$421,658	\$137,812	\$4,763	\$0
2009	418,723	120,374	4,763	0
2010	415,332	98,522	4,763	0
2011	432,682	81,172	4,763	0
2012	449,967	62,888	4,763	0
2013-2017	499,858	94,826	23,815	0
2018-2021	0	0	6,908	0
Totals	<u>\$2,638,220</u>	<u>\$595,594</u>	<u>\$54,538</u>	<u>\$0</u>

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 15 - CAPITALIZED LEASES

The City leases a vactor truck and a fire rescue vehicle under capital leases. The original cost of the equipment, amounting to \$462,350, is included in the governmental activities capital assets and the related liability is reported in the governmental activities long-term debt.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2007:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2008	<u>\$45,411</u>
Minimum Lease Payments	45,411
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(1,914)</u>
Present value of minimum lease payments	<u><u>\$43,497</u></u>

NOTE 16 - RISK MANAGEMENT

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

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 17 - CONTINGENCIES

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

NOTE 18 - JOINT VENTURES

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

The City is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net 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 \$33,012 at December 31, 2007. 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.

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 18 - 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 JV-2 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, 2007 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, 2007 was \$365,104 (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 \$357,167 at December 31, 2007. 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.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 18 - JOINT VENTURES (Continued)

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2007 are:

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

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

	Years	Principal	Interest	Total Debt Service
2008		24,552	21,821	46,373
2009		25,768	20,594	46,362
2010		27,042	19,306	46,348
2011		28,489	17,886	46,375
2012		29,995	16,390	46,385
2013-2020		301,802	69,066	370,868
Total Gross Liability		437,648	165,063	602,711
Less: Amounts Held in Reserve		(72,544)		
Net Obligation		<u>365,104</u>		

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 18 - JOINT VENTURES (Continued)

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

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

Pursuant to the OMEGA 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, 2007 Oberlin has met their debt coverage obligation.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 18 - JOINT VENTURES (Continued)

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

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.

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 \$270,275 at December 31, 2007. 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.

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2007

NOTE 18 - JOINT VENTURES (Continued)

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007 Oberlin has met their debt coverage obligation.

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

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The City's net obligation for these bonds at December 31, 2007 was \$257,748 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected).

The City's net investment and its share of operating results of OMEGA JV6 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV6 was \$305,995 at December 31, 2007. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 18 - JOINT VENTURES (Continued)

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

The ten participating subdivisions and their respective ownership shares at December 31, 2007 are:

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

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

Years	Principal	Interest	Total Debt Service
2008	24,000	10,363	34,363
2009	24,000	9,689	33,689
2010	26,000	8,709	34,709
2011	26,000	7,669	33,669
2012	28,000	6,609	34,609
2013-2019	144,218	15,464	159,682
Total Gross Liability	<u>272,218</u>	<u>58,503</u>	<u>330,721</u>
Less: Amounts Held in Reserve	<u>(14,470)</u>		
Net Obligation	<u>257,748</u>		

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Oberlin, Ohio's basic financial statements and have issued our report thereon dated May 30, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Oberlin, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Oberlin, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Oberlin, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Oberlin, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Oberlin, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Oberlin, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Oberlin, Ohio's internal control.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Oberlin, Ohio, in a separate letter dated May 30, 2008.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

May 30, 2008

JAMES G. ZUPKA, C.P.A., INC.
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of City Council
City of Oberlin, Ohio

Compliance

We have audited the compliance of the City of Oberlin, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City of Oberlin, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Oberlin, Ohio's management. Our responsibility is to express an opinion on the City of Oberlin, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Oberlin, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Oberlin, Ohio's compliance with those requirements.

In our opinion, the City of Oberlin, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance


The management of the City of Oberlin, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Oberlin, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Oberlin, Ohio's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

May 30, 2008

**CITY OF OBERLIN, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Direct Program Expenditures
<u>U.S. Department of Homeland Security</u>			
<i>Direct Program</i>			
Assistance to Firefighters Grant Program	EMW-2006-FG-00780	97.044	\$ 380,777
Assistance to Firefighters Grant Program	EMW-2006-FP-00265	97.044	<u>28,803</u>
Total U.S. Department of Homeland Security			<u>409,580</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development</i>			
Small Cities Community Development Block Grant Program			
Downtown Revitalization Program	A-T-05-160-1	14.228	92,106
Comprehensive Housing Improvement Program	A-C-05-160-1	14.228	<u>84,035</u>
Total Passed through Small Cities Community Development Block Grant Program			<u>176,141</u>
Home Investment Partnership Program	A-C-05-160-2	14.239	<u>170,423</u>
<i>Total Passed Through Ohio Department of Development</i>			<u>346,564</u>
<i>Passed Through Lorain County</i>			
Community Development Block Grant Formula Allocation	B-F-05-043-1	14.219	<u>45,692</u>
<i>Total Passed Through Lorain County</i>			<u>45,692</u>
Total U.S. Department of Housing and Urban Development			<u>392,256</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 801,836</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF OBERLIN, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards of the City presents the activity of all federal financial assistance programs to the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

**CITY OF OBERLIN, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2007(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list): Assistance to Firefighters Grant - CFDA #97.044	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: > all others
2007(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CITY OF OBERLIN, OHIO
STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

The prior audit report, as of December 31, 2006, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Mary Taylor, CPA
Auditor of State

CITY OF OBERLIN

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 29, 2008**