

**CITY OF OBERLIN
LORAIN COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

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



Dave Yost • Auditor of State

City Council
City of Oberlin
69 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, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 27, 2018

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

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

May 14, 2018

CITY OF OBERLIN, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

The discussion and analysis of the City of Oberlin's ("the City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2017. 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 2017 are as follows:

- ❑ In total, net position decreased \$230,556. Net position of governmental activities decreased \$156,824 from 2016. Net position of business-type activities decreased \$73,732 from 2016.
- ❑ General revenues accounted for \$11.5 million in revenue or 40% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for 60% of total revenues of \$28.9 million.
- ❑ The City had \$13.7 million in expenses related to governmental activities; only \$2.1 million of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes) of \$11.1 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$9.6 million in revenues and \$8.2 million in expenditures. The general fund's fund balance, including other financing sources, increased \$907,814 to \$12,403,965.

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, 2017*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$19,421,939	\$18,166,265	\$18,141,750	\$17,473,117	\$37,563,689	\$35,639,382
Capital assets, Net	30,657,617	31,435,135	23,811,895	24,252,911	54,469,512	55,688,046
Total assets	<u>50,079,556</u>	<u>49,601,400</u>	<u>41,953,645</u>	<u>41,726,028</u>	<u>92,033,201</u>	<u>91,327,428</u>
Deferred outflows of resources	<u>3,011,213</u>	<u>2,699,032</u>	<u>1,748,132</u>	<u>1,283,789</u>	<u>4,759,345</u>	<u>3,982,821</u>
Net pension liability	10,053,387	8,689,015	4,408,730	3,309,315	14,462,117	11,998,330
Other long-term liabilities	7,751,054	8,050,292	3,585,054	3,859,811	11,336,108	11,910,103
Other liabilities	625,494	796,186	398,874	433,190	1,024,368	1,229,376
Total liabilities	<u>18,429,935</u>	<u>17,535,493</u>	<u>8,392,658</u>	<u>7,602,316</u>	<u>26,822,593</u>	<u>25,137,809</u>
Deferred inflows of resources	<u>1,081,813</u>	<u>1,029,094</u>	<u>369,585</u>	<u>394,235</u>	<u>1,451,398</u>	<u>1,423,329</u>
Net position (deficit):						
Net investment in capital assets	23,922,004	24,263,490	20,669,173	20,880,615	44,591,177	45,144,105
Restricted	3,238,424	2,927,924	0	0	3,238,424	2,927,924
Unrestricted	<u>6,418,593</u>	<u>6,544,431</u>	<u>14,270,361</u>	<u>14,132,651</u>	<u>20,688,954</u>	<u>20,677,082</u>
Total net position	<u>\$33,579,021</u>	<u>\$33,735,845</u>	<u>\$34,939,534</u>	<u>\$35,013,266</u>	<u>\$68,518,555</u>	<u>\$68,749,111</u>

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

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

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

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

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

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

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

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

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

A portion of the City's net position, \$3,238,424, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the City has approximately \$13.6 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

At fiscal year-end for governmental activities, capital assets represented 61% of total assets. Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure. Net investment in capital assets, at December 31, 2017 was \$23,922,004. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

CITY OF OBERLIN, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

Changes in Net position – The following table shows the changes in net position for the fiscal year 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for Services and Sales	1,588,115	\$1,427,757	\$15,398,797	\$15,275,630	\$16,986,912	\$16,703,387
Operating Grants and Contributions	245,207	256,065	0	0	245,207	256,065
Capital Grants and Contributions	241,155	374,500	0	0	241,155	374,500
General revenues:						
Property Taxes	799,455	787,011	346,740	335,534	1,146,195	1,122,545
Municipal Income Taxes	8,273,083	8,285,428	0	0	8,273,083	8,285,428
Grants and Entitlements not Restricted to Specific Programs	743,266	879,723	0	0	743,266	879,723
Investment Earnings	288,105	101,994	0	0	288,105	101,994
Miscellaneous	1,032,386	1,030,928	0	0	1,032,386	1,030,928
Total revenues	<u>13,210,772</u>	<u>13,143,406</u>	<u>15,745,537</u>	<u>15,611,164</u>	<u>28,956,309</u>	<u>28,754,570</u>
Program Expenses						
Security of Persons and Property	4,393,898	4,522,918	0	0	4,393,898	4,522,918
Public Health and Welfare Services	172,847	172,416	0	0	172,847	172,416
Leisure Time Activities	767,449	671,894	0	0	767,449	671,894
Community Environment	520,369	591,405	0	0	520,369	591,405
Basic Utility Services	388,893	310,034	0	0	388,893	310,034
Transportation	2,969,640	2,537,344	0	0	2,969,640	2,537,344
General Government	4,249,125	3,709,514	0	0	4,249,125	3,709,514
Interest and Fiscal Charges	188,589	201,858	0	0	188,589	201,858
Cable	0	0	17,603	48,996	17,603	48,996
Water	0	0	2,276,260	2,207,572	2,276,260	2,207,572
Sewer	0	0	1,842,970	1,687,735	1,842,970	1,687,735
Refuse	0	0	821,119	830,489	821,119	830,489
Electric	0	0	10,578,103	10,858,604	10,578,103	10,858,604
Total expenses	<u>13,650,810</u>	<u>12,717,383</u>	<u>15,536,055</u>	<u>15,633,396</u>	<u>29,186,865</u>	<u>28,350,779</u>
Excess (deficiency) before Transfers	(440,038)	426,023	209,482	(22,232)	(230,556)	403,791
Transfers In (Out)	<u>283,214</u>	<u>294,689</u>	<u>(283,214)</u>	<u>(294,689)</u>	<u>0</u>	<u>0</u>
Total Change in Net Position	(156,824)	720,712	(73,732)	(316,921)	(230,556)	403,791
Beginning Net Position	<u>33,735,845</u>	<u>33,015,133</u>	<u>35,013,266</u>	<u>35,330,187</u>	<u>68,749,111</u>	<u>68,345,320</u>
Ending Net Position	<u>\$33,579,021</u>	<u>\$33,735,845</u>	<u>\$34,939,534</u>	<u>\$35,013,266</u>	<u>\$68,518,555</u>	<u>\$68,749,111</u>

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

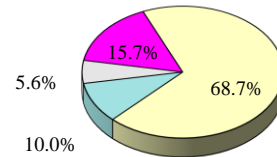
Governmental Activities

Net position of the City's governmental activities had a decrease of \$156,824. Much of this decrease can be attributed to the increase in general operating expenditures. Overall, revenues increased by 1% compared to 2016. The increase in Transportation is mostly related to depreciation expense and the General Government increase is mostly related to an increase in net pension liability.

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

Property taxes and municipal income taxes made up 6% and 63%, respectively, of revenues for governmental activities for the City in fiscal year 2017. The City's reliance upon tax revenues is demonstrated by the following graph indicating 69% of total revenues from general tax revenues:

Revenue Sources	2017	Percent of Total
Grants and Entitlements not Restricted to Specific Programs	\$743,266	5.6%
Program Revenues	2,074,477	15.7%
General Tax Revenues	9,072,538	68.7%
General Other	1,320,491	10.0%
Total Revenue	<u>\$13,210,772</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities decreased by \$73,732. The change is predominantly due to the decrease in electric fund revenues related to energy credits, and increased cost of purchased power. In addition to overall expenditure increases in the enterprise funds due to ordinary operational variations. User rates in the enterprise funds, other than electric, are evaluated annually by management according to rate formulas approved by the legislative body. Changes to user rates are made annually when necessary to keep pace with increased operational and capital costs. The generation component of the electric rates is adjusted monthly to reflect changes in fuel and other variable costs. Periodic rate studies are used to adjust the remaining components of the electric rates. A current electric rate study is intended to change rates effective January 1, 2019.

CITY OF OBERLIN, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$18,061,821, which is an increase from last year's balance of \$16,608,447. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2017 and 2016:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General	\$12,403,965	\$11,496,151	\$907,814
Income Tax	2,016,738	2,016,062	676
Other Governmental	3,641,118	3,096,234	544,884
Total	\$18,061,821	\$16,608,447	\$1,453,374

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:

	2017 Revenues	2016 Revenues	Increase (Decrease)
Taxes	\$6,456,461	\$6,451,757	\$4,704
Intergovernmental Revenue	751,751	726,572	25,179
Charges for Services	210,366	127,720	82,646
Licenses and Permits	322,084	268,949	53,135
Investment Earnings	226,511	65,758	160,753
Special Assessments	1,076	514	562
Fines and Forfeitures	687,412	648,348	39,064
All Other Revenue	950,616	956,660	(6,044)
Total	\$9,606,277	\$9,246,278	\$359,999

General Fund revenues in 2017 increased by \$359,999 or about 3.9% compared to revenues in fiscal year 2016. The largest increase took place in investment earnings. Much of this can be attributed to an improvement in the economy which led to a higher return on investments.

	2017 Expenditures	2016 Expenditures	Increase (Decrease)
Security of Persons and Property	\$3,306,839	\$3,279,983	\$26,856
Public Health and Welfare Services	132,009	147,969	(15,960)
Leisure Time Activities	464,978	473,247	(8,269)
Community Environment	478,348	400,273	78,075
Transportation	211,818	206,567	5,251
General Government	3,597,994	3,506,954	91,040
Total	\$8,191,986	\$8,014,993	\$176,993

General Fund expenditures increased by \$176,993 compared to the prior year mostly due to across the board increases in payroll and contractual services in Planning and Code Enforcement.

For the Income Tax Fund, the fund balance increase of \$676 is related to ordinary annual fluctuations in capital expenditures.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

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

During the course of fiscal year 2017, the City amended its General Fund budget several times, to adjust for various appropriations.

For the General Fund, final budget basis revenue of \$8.7 million, not including other financing sources, did not change from the original budget. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2017, the City had \$54,469,512 net of accumulated depreciation invested in land, improvements other than buildings, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$30,657,617 was related to governmental activities and \$23,811,895 to the business-type activities. The following table shows fiscal year 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land	\$2,250,264	\$2,106,254	\$144,010
Construction in Progress	748,254	1,231,372	(483,118)
Buildings	13,204,885	13,334,631	(129,746)
Improvements Other Than Buildings	920,041	920,041	0
Machinery and Equipment	6,688,899	6,543,868	145,031
Infrastructure	38,973,649	37,749,815	1,223,834
Less: Accumulated Depreciation	(32,128,375)	(30,450,846)	(1,677,529)
Totals	\$30,657,617	\$31,435,135	(\$777,518)

	Business-Type Activities		Increase (Decrease)
	2017	2016	
Land	\$666,812	\$666,812	\$0
Construction in Progress	565,686	75,379	490,307
Buildings	8,419,583	8,419,583	0
Infrastructure	14,306,377	14,125,792	180,585
Improvements Other Than Buildings	2,129,756	2,063,195	66,561
Machinery and Equipment	22,162,032	21,817,037	344,995
Less: Accumulated Depreciation	(24,438,351)	(22,914,887)	(1,523,464)
Totals	\$23,811,895	\$24,252,911	(\$441,016)

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

The governmental and business-type activities decrease in capital assets was mostly related to the annual depreciation expense. Additional information on the City's capital assets can be found in Note 11.

Debt

At December 31, 2017, the City had \$6.2 million in bonds outstanding, with \$465,000 being due within one year. The following table summarizes the City's long-term obligations outstanding as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Governmental Activities:		
General Obligation Bonds	\$6,224,872	\$6,684,859
OPWC Loans Payable	573,145	486,786
Net Pension Liability	10,053,387	8,689,015
Compensated Absences	953,037	878,647
Total Governmental Activities	<u>17,804,441</u>	<u>16,739,307</u>
Business-Type Activities:		
OWDA Loans Payable	\$3,142,722	\$3,372,296
Payable to Joint Venture	2,188	48,055
Net Pension Liability	4,408,730	3,309,315
Compensated Absences	440,144	439,460
Total Business-Type Activities	<u>7,993,784</u>	<u>7,169,126</u>
Totals	<u>\$25,798,225</u>	<u>\$23,908,433</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, 2017, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 15.

CITY OF OBERLIN, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

ECONOMIC FACTORS

The City's original budget for 2017 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 0.5% more than the actual receipts for 2016. This was due primarily to conservative based budgeting for income tax collections.

General Fund expenditures were originally budgeted at 15% more than 2016 actual expenditures. Actual expenditures were less than anticipated largely due to conservative budget practices.

City Council continues to pursue securing existing, and establishing new, revenue sources, while also focusing on reducing expenditures. City Council continues to maintain the fiscal stability of the City by utilizing a conservative approach towards budgeting and keeping a close watch on economic conditions.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Director, Sal Talarico, by calling 440-775-7210 or writing to City of Oberlin Finance Department, 69 South Main Street, Oberlin, Ohio 44074.

CITY OF OBERLIN, OHIO

Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,789,938	\$ 154,720	\$ 1,944,658
Investments	14,377,062	14,560,120	28,937,182
Receivables:			
Taxes	3,010,119	368,682	3,378,801
Accounts	56,738	1,299,050	1,355,788
Intergovernmental	428,815	18,188	447,003
Interest	205,377	0	205,377
Special Assessments	29,615	0	29,615
Loans	248,456	0	248,456
Internal Balances	(835,499)	835,499	0
Inventory of Supplies at Cost	55,998	496,080	552,078
Prepaid Items	55,320	31,442	86,762
Capital Assets:			
Capital Assets Not Being Depreciated	2,998,518	1,232,498	4,231,016
Capital Assets Being Depreciated, Net	27,659,099	22,579,397	50,238,496
Investment in Joint Venture	0	377,969	377,969
Total Assets	50,079,556	41,953,645	92,033,201
Deferred Outflows of Resources:			
Deferred Loss on Debt Refunding	62,404	0	62,404
Pension	2,948,809	1,748,132	4,696,941
Total Deferred Outflows of Resources	3,011,213	1,748,132	4,759,345
Liabilities:			
Accounts Payable	266,959	269,771	536,730
Accrued Wages and Benefits	211,922	129,103	341,025
Due to Others	131,988	0	131,988
Accrued Interest Payable	14,625	0	14,625
Long-Term Liabilities:			
Due Within One Year	809,068	396,863	1,205,931
Net Pension Liability	10,053,387	4,408,730	14,462,117
Due in More Than One Year	6,941,986	3,188,191	10,130,177
Total Liabilities	18,429,935	8,392,658	26,822,593

CITY OF OBERLIN, OHIO

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	964,700	343,347	1,308,047
Pension	117,113	26,238	143,351
Total Deferred Inflows of Resources	<u>1,081,813</u>	<u>369,585</u>	<u>1,451,398</u>
Net Position:			
Net Investment in Capital Assets	23,922,004	20,669,173	44,591,177
Restricted For:			
Capital Projects	1,591,959	0	1,591,959
Debt Service	260,865	0	260,865
Other Purposes	1,385,600	0	1,385,600
Unrestricted (Deficit)	<u>6,418,593</u>	<u>14,270,361</u>	<u>20,688,954</u>
Total Net Position	<u>\$ 33,579,021</u>	<u>\$ 34,939,534</u>	<u>\$ 68,518,555</u>

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Statement of Activities For the Year Ended December 31, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 4,393,898	\$ 65,522	\$ 1,321	\$ 31,000
Public Health and Welfare Services	172,847	38,050	0	0
Leisure Time Activities	767,449	24,437	0	0
Community Environment	520,369	171,464	0	0
Basic Utility Services	388,893	3,055	10,877	0
Transportation	2,969,640	55,842	233,009	210,155
General Government	4,249,125	1,229,745	0	0
Interest and Fiscal Charges	188,589	0	0	0
Total Governmental Activities	13,650,810	1,588,115	245,207	241,155
Business-Type Activities:				
Cable	17,603	8,815	0	0
Water	2,276,260	2,098,652	0	0
Sewer	1,842,970	1,859,276	0	0
Refuse	821,119	786,304	0	0
Electric	10,578,103	10,645,750	0	0
Total Business-Type Activities	15,536,055	15,398,797	0	0
Totals	\$ 29,186,865	\$ 16,986,912	\$ 245,207	\$ 241,155

General Revenues

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

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,296,055)	\$ 0	\$ (4,296,055)
(134,797)	0	(134,797)
(743,012)	0	(743,012)
(348,905)	0	(348,905)
(374,961)	0	(374,961)
(2,470,634)	0	(2,470,634)
(3,019,380)	0	(3,019,380)
(188,589)	0	(188,589)
<u>(11,576,333)</u>	<u>0</u>	<u>(11,576,333)</u>
0	(8,788)	(8,788)
0	(177,608)	(177,608)
0	16,306	16,306
0	(34,815)	(34,815)
<u>0</u>	<u>67,647</u>	<u>67,647</u>
<u>0</u>	<u>(137,258)</u>	<u>(137,258)</u>
<u>(11,576,333)</u>	<u>(137,258)</u>	<u>(11,713,591)</u>
799,455	346,740	1,146,195
8,273,083	0	8,273,083
743,266	0	743,266
288,105	0	288,105
1,032,386	0	1,032,386
283,214	(283,214)	0
<u>11,419,509</u>	<u>63,526</u>	<u>11,483,035</u>
(156,824)	(73,732)	(230,556)
<u>33,735,845</u>	<u>35,013,266</u>	<u>68,749,111</u>
<u>\$ 33,579,021</u>	<u>\$ 34,939,534</u>	<u>\$ 68,518,555</u>

CITY OF OBERLIN, OHIO

**Balance Sheet
Governmental Funds
December 31, 2017**

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 35,555	\$ 4,973	\$ 1,505,970	\$ 1,546,498
Investments	10,506,008	1,507,468	2,363,586	14,377,062
Receivables:				
Taxes	1,960,506	557,047	492,566	3,010,119
Accounts	50,006	0	6,732	56,738
Intergovernmental	196,536	0	232,279	428,815
Interest	205,377	0	0	205,377
Special Assessments	0	0	29,615	29,615
Loans	0	0	248,456	248,456
Interfund Loans Receivables	498,925	0	0	498,925
Inventory of Supplies, at Cost	6,082	0	49,916	55,998
Prepaid Items	55,320	0	0	55,320
Total Assets	\$ 13,514,315	\$ 2,069,488	\$ 4,929,120	\$ 20,512,923
Liabilities:				
Accounts Payable	93,159	52,750	115,576	261,485
Accrued Wages and Benefits Payable	162,752	0	42,536	205,288
Due to Others	0	0	131,988	131,988
Interfund Loans Payable	0	0	124,485	124,485
Total Liabilities	255,911	52,750	414,585	723,246
Deferred Inflows of Resources:				
Unavailable Amounts	360,210	0	402,946	763,156
Property Tax for Next Fiscal Year	494,229	0	470,471	964,700
Total Deferred Inflows of Resources	854,439	0	873,417	1,727,856
Fund Balances:				
Nonspendable	61,402	0	77,175	138,577
Restricted	0	0	2,921,275	2,921,275
Committed	166,364	2,016,738	669,330	2,852,432
Assigned	1,409,517	0	100,821	1,510,338
Unassigned	10,766,682	0	(127,483)	10,639,199
Total Fund Balances	12,403,965	2,016,738	3,641,118	18,061,821
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,514,315	\$ 2,069,488	\$ 4,929,120	\$ 20,512,923

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2017

Total Governmental Fund Balances \$ 18,061,821

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 27,542,496

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

Delinquent Property Taxes	58,325	
Charges for Services	248,455	
Interest Revenues	190,651	
Special Assessments	29,615	
Intergovernmental	236,110	763,156

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

Deferred Outflows - Pension	2,878,962	
Deferred Inflows - Pension	(116,065)	
Net Pension Liability	(9,877,236)	(7,114,339)

Accrued interest on outstanding debt is not due and payable in
the current period and, therefore, is not reported in the funds,
it is reported when due. (14,625)

Internal service funds are used by management to charge
the costs of servicing vehicles and purchasing office supplies
to individual funds. The assets and liabilities of the internal
service funds are included in governmental activities
in the statement of net position. 2,014,459

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

General Obligation Bonds Payable	(6,175,000)	
Ohio Public Works Commission Loan Payable	(573,145)	
Premium on General Obligation Bonds Payable	(49,872)	
Deferred Loss on Debt Refunding	62,404	
Compensated Absences Payable	(938,334)	(7,673,947)

Net Position of Governmental Activities \$ 33,579,021

See accompanying notes to the basic financial statements

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CITY OF OBERLIN, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 501,569	\$ 0	\$ 306,928	\$ 808,497
Municipal Income Tax	5,954,892	2,318,191	0	8,273,083
Intergovernmental Revenues	751,751	0	328,392	1,080,143
Charges for Services	210,366	0	6,845	217,211
Licenses and Permits	322,084	0	0	322,084
Investment Earnings	226,511	0	3,168	229,679
Special Assessments	1,076	0	46,495	47,571
Fines and Forfeitures	687,412	0	90,200	777,612
All Other Revenue	950,616	33,798	369,061	1,353,475
Total Revenues	9,606,277	2,351,989	1,151,089	13,109,355
Expenditures:				
Current:				
Security of Persons and Property	3,306,839	0	338,474	3,645,313
Public Health and Welfare Services	132,009	0	0	132,009
Leisure Time Activities	464,978	0	0	464,978
Community Environment	478,348	0	1,921	480,269
Basic Utility Services	0	0	287,961	287,961
Transportation	211,818	0	449,346	661,164
General Government	3,597,994	0	55,317	3,653,311
Capital Outlay	0	1,346,550	701,515	2,048,065
Debt Service:				
Principal Retirement	0	2,798	493,733	496,531
Interest & Fiscal Charges	0	0	188,412	188,412
Total Expenditures	8,191,986	1,349,348	2,516,679	12,058,013
Excess (Deficiency) of Revenues				
Over Expenditures	1,414,291	1,002,641	(1,365,590)	1,051,342
Other Financing Sources (Uses):				
Sale of Capital Assets	1,277	0	0	1,277
OPWC Loans Issued	0	0	127,890	127,890
Transfers In	500	0	1,882,081	1,882,581
Transfers Out	(502,446)	(1,001,965)	(91,956)	(1,596,367)
Total Other Financing Sources (Uses)	(500,669)	(1,001,965)	1,918,015	415,381
Net Change in Fund Balances	913,622	676	552,425	1,466,723
Fund Balances at Beginning of Year	11,496,151	2,016,062	3,096,234	16,608,447
Decrease in Inventory Reserve	(5,808)	0	(7,541)	(13,349)
Fund Balances at End of Year	\$ 12,403,965	\$ 2,016,738	\$ 3,641,118	\$ 18,061,821

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, 2017***

Net Change in Fund Balances - Total Governmental Funds \$ 1,466,723

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

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

Capital Outlay	1,328,200	
Depreciation	(1,981,897)	(653,697)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (160,083)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 151,565

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

Delinquent Property Taxes	(9,042)	
Charges for Services	(102,273)	
Special Assessments	3,544	
Interest	58,426	
Intergovernmental	(2,081)	(51,426)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 708,626

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,754,270)

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

General Obligation Bonds Principal	455,000	
OPWC Loan Principal	41,531	
OPWC Loan Issued	(127,890)	
Amortization of Deferred Loss on Refunding Bonds	(6,240)	
Amortization of Premium on G.O. Bonds	4,987	367,388

(Continued)

CITY OF OBERLIN, OHIO

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

Accrued Interest Payable	1,076
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in Supplies Inventory	(13,349)	
Increase in Compensated Absences Payable	<u>(68,633)</u>	(81,982)

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

<u>(150,744)</u>

Change in Net Position of Governmental Activities

<u><u>\$ (156,824)</u></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)
General Fund
For The Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 502,452	\$ 502,452	\$ 501,569	\$ (883)
Municipal Income Tax	5,405,000	5,405,000	5,624,538	219,538
Intergovernmental Revenue	698,473	698,473	750,733	52,260
Charges for Services	115,000	115,000	213,887	98,887
Licenses and Permits	229,700	229,700	322,133	92,433
Investment Earnings	281,400	281,400	314,053	32,653
Special Assessments	1,000	1,000	1,076	76
Fines and Forfeitures	740,000	740,000	683,267	(56,733)
All Other Revenues	803,065	803,065	806,616	3,551
Total Revenues	<u>8,776,090</u>	<u>8,776,090</u>	<u>9,217,872</u>	<u>441,782</u>
Expenditures:				
Current:				
Security of Persons and Property	3,600,030	3,608,685	3,333,105	275,580
Public Health and Welfare Services	146,502	146,502	132,127	14,375
Leisure Time Activities	554,873	559,374	469,447	89,927
Community Environment	638,058	638,058	477,606	160,452
Transportation	217,934	218,646	211,818	6,828
General Government	4,105,069	4,127,934	3,739,242	388,692
Total Expenditures	<u>9,262,466</u>	<u>9,299,199</u>	<u>8,363,345</u>	<u>935,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(486,376)	(523,109)	854,527	1,377,636
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	1,277	1,277
Transfers In	500	500	500	0
Transfers Out	(527,446)	(527,446)	(502,446)	25,000
Advances In	935,000	935,000	702,454	(232,546)
Advances Out	(935,000)	(935,000)	(498,925)	436,075
Total Other Financing Sources (Uses):	<u>(526,946)</u>	<u>(526,946)</u>	<u>(297,140)</u>	<u>229,806</u>
Net Change In Fund Balance	(1,013,322)	(1,050,055)	557,387	1,607,442
Fund Balance at Beginning of Year	9,503,542	9,503,542	9,503,542	0
Prior Year Encumbrances	266,882	266,882	266,882	0
Fund Balance at End of Year	<u>\$ 8,757,102</u>	<u>\$ 8,720,369</u>	<u>\$ 10,327,811</u>	<u>\$ 1,607,442</u>

See accompanying notes to the basic financial statements

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CITY OF OBERLIN, OHIO

Statement of Net Position Proprietary Funds December 31, 2017

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 7,984	\$ 9,724	\$ 29,776	\$ 551
Investments	2,420,174	2,947,474	9,025,426	167,046
Receivables:				
Taxes	0	0	0	368,682
Accounts	160,076	158,599	921,560	58,815
Intergovernmental	0	0	0	18,188
Inventory of Supplies at Cost	15,665	3,500	476,915	0
Prepaid Items	7,654	5,919	13,652	4,217
<i>Total Current Assets</i>	<u>2,611,553</u>	<u>3,125,216</u>	<u>10,467,329</u>	<u>617,499</u>
<i>Non Current Assets:</i>				
Capital Assets, Net	10,415,253	8,734,838	2,908,796	1,753,008
Investment in Joint Venture	0	0	377,969	0
Total Assets	<u>13,026,806</u>	<u>11,860,054</u>	<u>13,754,094</u>	<u>2,370,507</u>
Deferred Outflows of Resources:				
Pension	449,981	351,941	820,219	125,991
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	87,716	24,432	141,134	14,699
Accrued Wages and Benefits	32,539	27,712	59,411	9,441
Interfund Loans Payable	0	0	0	374,440
Compensated Absences Payable - Current	41,849	33,907	83,136	3,782
Ohio Water Development Authority Loans - Current	234,189	0	0	0
<i>Total Current Liabilities</i>	<u>396,293</u>	<u>86,051</u>	<u>283,681</u>	<u>402,362</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	47,066	73,801	148,621	7,982
Net Pension Liability	1,134,838	887,582	2,068,564	317,746
OWDA Loans Payable	2,908,533	0	0	0
Payable to Joint Venture	0	0	2,188	0
Total Liabilities	<u>4,486,730</u>	<u>1,047,434</u>	<u>2,503,054</u>	<u>728,090</u>

CITY OF OBERLIN, OHIO

Other Enterprise	Total	Governmental Activities - Internal Service Funds
\$ 106,685	\$ 154,720	\$ 243,440
0	14,560,120	0
0	368,682	0
0	1,299,050	0
0	18,188	0
0	496,080	0
0	31,442	0
106,685	16,928,282	243,440
0	23,811,895	3,115,121
0	377,969	0
106,685	41,118,146	3,358,561
0	1,748,132	69,847
1,790	269,771	5,474
0	129,103	6,634
0	374,440	0
0	162,674	3,522
0	234,189	0
1,790	1,170,177	15,630
0	277,470	11,181
0	4,408,730	176,151
0	2,908,533	0
0	2,188	0
1,790	8,767,098	202,962

(Continued)

CITY OF OBERLIN, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
Deferred Inflows of Resources:				
Property Tax for Next Fiscal Year	0	0	0	343,347
Pension	6,754	5,282	12,311	1,891
Total Deferred Inflows of Resources	<u>6,754</u>	<u>5,282</u>	<u>12,311</u>	<u>345,238</u>
Net Position:				
Net Investment in Capital Assets	7,272,531	8,734,838	2,908,796	1,753,008
Unrestricted	1,710,772	2,424,441	9,150,152	(329,838)
Total Net Position	<u>\$ 8,983,303</u>	<u>\$ 11,159,279</u>	<u>\$ 12,058,948</u>	<u>\$ 1,423,170</u>

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

Net Position of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

<u>Other Enterprise</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
0	343,347	0
0	26,238	1,048
0	369,585	1,048
0	20,669,173	3,115,121
104,895	13,060,422	109,277
<u>\$ 104,895</u>	<u>33,729,595</u>	<u>\$ 3,224,398</u>
	1,209,939	
	<u>\$ 34,939,534</u>	

CITY OF OBERLIN, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2017

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
Operating Revenues:				
Charges for Services	2,091,570	1,853,952	10,490,895	707,451
Other Operating Revenue	11,094	8,065	150,490	78,853
Total Operating Revenues	2,102,664	1,862,017	10,641,385	786,304
Operating Expenses:				
Personal Services	1,189,543	997,008	2,626,772	348,633
Contractual Services	280,405	282,678	1,334,325	282,463
Materials and Supplies	134,809	40,183	26,753	0
Purchased Power	0	0	6,312,610	0
Depreciation	587,053	531,322	296,527	152,405
Total Operating Expenses	2,191,810	1,851,191	10,596,987	783,501
Operating Income (Loss)	(89,146)	10,826	44,398	2,803
Nonoperating Revenues (Expenses):				
Property Taxes	0	0	0	346,740
Interest Expense	(66,304)	0	0	0
Loss on Sale of Capital Assets	(4,012)	(2,741)	0	0
Gain on Investment in Joint Venture	0	0	4,365	0
Total Nonoperating Revenues (Expenses)	(70,316)	(2,741)	4,365	346,740
Income (Loss) Before Transfers	(159,462)	8,085	48,763	349,543
Transfers Out	0	(21,989)	0	(261,225)
Change in Net Position	(159,462)	(13,904)	48,763	88,318
Net Position Beginning of Year	9,142,765	11,173,183	12,010,185	1,334,852
Net Position End of Year	\$ 8,983,303	\$ 11,159,279	\$ 12,058,948	\$ 1,423,170

Change in Net Position - Total Enterprise Funds

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

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Other Enterprise	Total	Governmental Activities - Internal Service Funds
8,815	15,152,683	358,173
0	248,502	0
8,815	15,401,185	358,173
0	5,161,956	178,227
17,603	2,197,474	119,513
0	201,745	121,533
0	6,312,610	0
0	1,567,307	115,303
17,603	15,441,092	534,576
(8,788)	(39,907)	(176,403)
0	346,740	0
0	(66,304)	0
0	(6,753)	0
0	4,365	0
0	278,048	0
(8,788)	238,141	(176,403)
0	(283,214)	(3,000)
(8,788)	(45,073)	(179,403)
113,683	33,774,668	3,403,801
\$ 104,895	33,729,595	\$ 3,224,398
	(45,073)	
	(28,659)	
	\$ (73,732)	

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Refuse
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$2,096,333	\$1,847,735	\$10,604,770	\$780,502
Cash Payments for Goods and Services	(353,690)	(381,383)	(7,704,503)	(280,030)
Cash Payments to Employees	(1,041,185)	(866,874)	(2,335,109)	(325,837)
Net Cash Provided (Used) for Operating Activities	<u>701,458</u>	<u>599,478</u>	<u>565,158</u>	<u>174,635</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers Out to Other Funds	0	(21,989)	0	(261,225)
Advances In from Other Funds	0	0	0	374,440
Advances Out to Other Funds	0	0	0	(608,827)
Receipts of Property Taxes	0	0	0	347,639
Net Cash Used for Noncapital Financing Activities	<u>0</u>	<u>(21,989)</u>	<u>0</u>	<u>(147,973)</u>
<u>Cash Flows from Capital and</u>				
<u>Related Financing Activities:</u>				
Acquisition and Construction of Assets	(499,910)	(168,871)	(490,254)	0
Principal Paid on Ohio Water Development Authority Loans	(229,574)	0	0	0
Interest Paid on All Debt	(66,304)	0	0	0
Net Cash Used for Capital and Related Financing Activities	<u>(795,788)</u>	<u>(168,871)</u>	<u>(490,254)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	0	(428,857)	(150,707)	(27,768)
Sale of Investments	72,658	0	0	0
Net Cash Provided (Used) for Investing Activities	<u>72,658</u>	<u>(428,857)</u>	<u>(150,707)</u>	<u>(27,768)</u>
Net Decrease in Cash and Cash Equivalents	(21,672)	(20,239)	(75,803)	(1,106)
Cash and Cash Equivalents at Beginning of Year	29,656	29,963	105,579	1,657
Cash and Cash Equivalents at End of Year	<u>\$7,984</u>	<u>\$9,724</u>	<u>\$29,776</u>	<u>\$551</u>

CITY OF OBERLIN, OHIO

Other Enterprise	Total	Governmental Activities - Internal Service Funds
\$8,815	\$15,338,155	\$358,173
(9,845)	(8,729,451)	(248,601)
0	(4,569,005)	(145,247)
(1,030)	2,039,699	(35,675)
0	(283,214)	(3,000)
0	374,440	0
0	(608,827)	0
0	347,639	0
0	(169,962)	(3,000)
0	(1,159,035)	0
0	(229,574)	0
0	(66,304)	0
0	(1,454,913)	0
0	(607,332)	0
0	72,658	0
0	(534,674)	0
(1,030)	(119,850)	(38,675)
107,715	274,570	282,115
<u>\$106,685</u>	<u>\$154,720</u>	<u>\$243,440</u>

(Continued)

CITY OF OBERLIN, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities Enterprise Funds			
	Water	Sewer	Electric	Refuse
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) for Operating Activities:</u>				
Operating Income (Loss)	(\$89,146)	\$10,826	\$44,398	\$2,803
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Depreciation Expense	587,053	531,322	296,527	152,405
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(6,331)	(14,282)	(36,615)	(5,802)
Decrease (Increase) in Inventory	(436)	300	(15,980)	0
Decrease (Increase) in Prepaid Items	(3,872)	(554)	(702)	(16)
Increase in Deferred Outflows of Resources	(119,480)	(97,355)	(212,745)	(34,763)
Increase (Decrease) in Accounts Payable	65,434	(57,703)	(15,427)	2,427
Increase (Decrease) in Accrued				
Wages and Benefits	(427)	(1,295)	619	(2,848)
Increase in Net Pension Liability	282,881	231,318	502,637	82,579
Decrease in Deferred Inflows of Resources	(9,708)	(7,398)	(17,946)	(2,653)
Increase (Decrease) in Compensated Absences	(4,510)	4,299	20,392	(19,497)
Total Adjustments	<u>790,604</u>	<u>588,652</u>	<u>520,760</u>	<u>171,832</u>
Net Cash Provided (Used) for Operating Activities	<u>\$701,458</u>	<u>\$599,478</u>	<u>\$565,158</u>	<u>\$174,635</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2017, the Sewer Fund and the Electric Fund had outstanding liabilities of \$5,953 and \$39,515 respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF OBERLIN, OHIO

Other Enterprise	Total	Governmental Activities - Internal Service Funds
(\$8,788)	(\$39,907)	(\$176,403)
0	1,567,307	115,303
0	(63,030)	0
0	(16,116)	0
6,863	1,719	0
0	(464,343)	(20,493)
895	(4,374)	(7,579)
0	(3,951)	221
0	1,099,415	48,929
0	(37,705)	(1,410)
0	684	5,757
<u>7,758</u>	<u>2,079,606</u>	<u>140,728</u>
<u>(\$1,030)</u>	<u>\$2,039,699</u>	<u>(\$35,675)</u>

CITY OF OBERLIN, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2017***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 230,396
Receivables:	
Taxes	857,293
Intergovernmental	<u>48,123</u>
Total Assets	<u>1,135,812</u>
Liabilities:	
Due to Others	<u>1,135,812</u>
Total Liabilities	<u><u>\$ 1,135,812</u></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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

1. Joint Ventures with Equity Interest

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Joint Ventures with Equity Interest (Continued)

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

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

B. Basis of Presentation - Fund Accounting

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

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

Governmental Funds

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

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

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

The other governmental funds of the City account for grants and other resources whose use is nonspendable, restricted, committed, assigned or unassigned for a particular purpose.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

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

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

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

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

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

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

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

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

Fiduciary Funds

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2017, but which are not intended to finance 2017 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 6 “Taxes”.

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

E. Deferred Inflows/Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For the City, deferred outflows of resources include a deferral on debt refunding and pension reported in the government-wide statement of net position. A deferral on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension are explained in note 12.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, interest revenue, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See note 12)

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The only funds required to be reported in the basic financial statements are the general fund and any major special revenue funds. The primary level of budgetary control is between categories within each department. Budgetary modifications may be made between categories by ordinance of the City Council.

1. Tax Budget

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

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2017.

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 2017, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual—(Non-GAAP Budgetary Basis) General Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

Net Change In Fund Balance	General Fund
GAAP Basis (as reported)	\$913,622
Increase (Decrease):	
Accrued Revenues at December 31, 2017 received during 2018	(2,056,911)
Accrued Revenues at December 31, 2016 received during 2017	1,935,395
Accrued Expenditures at December 31, 2017 paid during 2018	255,911
Accrued Expenditures at December 31, 2016 paid during 2017	(231,006)
2016 Prepays for 2017	27,574
2017 Prepays for 2018	(55,320)
2017 Adjustment to Fair Value	271,035
2016 Adjustment to Fair Value	(190,395)
Outstanding Encumbrances	(229,967)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(82,551)
Budget Basis	\$557,387

G. Cash and Cash Equivalents

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Investments

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

During 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “*Certain External Investment Pools and Pool Participants.*” The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

I. Inventory

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

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities

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

Contributed capital assets are recorded at acquisition 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.

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

M. Net Position

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

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

N. Fund Balances

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances (Continued)

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

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

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

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

O. Pensions

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

P. Interfund Activity

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Estimates

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

T. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the City has implemented GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, GASB Statement No. 80 “Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14”, GASB Statement No. 81, “Irrevocable Split-Interest Agreements”, and GASB Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.”

GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 3 - ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2017 of \$949 in the EMS Grant Fund, \$38,648 in the Gasholder Renovation Fund and \$87,886 in the Sidewalk Improvement Fund arise from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 4 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Principal	\$0	\$0	\$27,259	\$27,259
Prepaid Items	55,320	0	0	55,320
Supplies Inventory	6,082	0	49,916	55,998
Total Nonspendable	<u>61,402</u>	<u>0</u>	<u>77,175</u>	<u>138,577</u>
Restricted:				
Fire Station Improvement	0	0	2,310	2,310
Street Maintenance	0	0	384,513	384,513
State Highway Improvements	0	0	124,345	124,345
Library	0	0	9,717	9,717
County Recycling	0	0	32,249	32,249
CDBG Grant	0	0	105,516	105,516
Community Housing	0	0	14,102	14,102
DARE Grant	0	0	2,798	2,798
Home RLF	0	0	75,802	75,802
Downtown Revitalization	0	0	138,284	138,284
DARE Trust	0	0	55,421	55,421
TIF East College Street	0	0	446,821	446,821
Indigent Alcohol Treatment	0	0	21,282	21,282
Indigent Interlock Monitor	0	0	70,794	70,794
Special Assessment Bond Retirement	0	0	275,490	275,490
Spring Street Park Improvement	0	0	11,377	11,377
Recreation Complex	0	0	18,095	18,095
Police/Fire Pension	0	0	38,454	38,454
Court Improvement/Computer	0	0	903,517	903,517
Clerk of Court Computer	0	0	165,677	165,677
OPWC Grants	0	0	24,711	24,711
Total Restricted	<u>0</u>	<u>0</u>	<u>2,921,275</u>	<u>2,921,275</u>
Committed:				
Vacation and Sick Leave	166,364	0	0	166,364
Capital Improvements	0	2,016,738	0	2,016,738
War Memorial	0	0	7,278	7,278
Utility Caring	0	0	50,261	50,261
Open Space	0	0	16,118	16,118
Subdivision	0	0	13,657	13,657
Parks	0	0	1,086	1,086
Equipment Replacement	0	0	573,534	573,534
Utility Deposit	0	0	7,396	7,396
Total Committed	<u>166,364</u>	<u>2,016,738</u>	<u>669,330</u>	<u>2,852,432</u>
Assigned:				
Purchase Orders	184,874	0	0	184,874
Budget Resource	1,224,643	0	0	1,224,643
Debt Service	0	0	100,821	100,821
Total Assigned	<u>1,409,517</u>	<u>0</u>	<u>100,821</u>	<u>1,510,338</u>
Unassigned	10,766,682	0	(127,483)	10,639,199
Total Fund Balances	<u>\$12,403,965</u>	<u>\$2,016,738</u>	<u>\$3,641,118</u>	<u>\$18,061,821</u>

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

One of the City's financial institutions joined OPCS as of December 31, 2017 and two were in the process. The financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City's deposits was \$14,137,939 and the bank balance was \$14,336,355. Federal depository insurance covered \$9,851,939 of the bank balance and \$4,484,416 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name and securities held in the Ohio Pooled Collateral System.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

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

B. Investments

The City's investments at December 31, 2017 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)		
				less than 1	1-3	3-5
STAR Ohio *	\$58,851	AAAm	N/A	\$58,851	\$0	\$0
FNMA	5,037,334	AAA ¹ / Aaa ²	Level 2	0	3,928,220	1,109,114
FFCB	1,578,938	AAA ¹ / Aaa ²	Level 2	0	988,550	590,388
FHLB	2,229,658	AAA ¹ / Aaa ²	Level 2	0	1,468,020	761,638
FHLMC	8,069,516	AAA ¹ / Aaa ²	Level 2	0	7,090,046	979,470
Total Investments	<u>\$16,974,297</u>			<u>\$58,851</u>	<u>\$13,474,836</u>	<u>\$3,440,610</u>

¹ Standard & Poor's

² Moody's Investor Service

* Star Ohio is reported at its share price (Net asset value per share)

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

Credit Risk – The City's investment in Star Ohio was rated AAAM¹ by Standard & Poor's.

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	Cash and Cash Equivalents *	Investments
Per Financial Statements	\$2,175,054	\$28,937,182
Certificates of Deposit (with maturities of more than 3 months)	12,021,736	(12,021,736)
Investments:		
STAR Ohio	(58,851)	58,851
Per GASB Statement No. 3	<u>\$14,137,939</u>	<u>\$16,974,297</u>

* Includes cash on hand.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

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 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2016. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

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

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for the City's operations for the year ended December 31, 2017 was \$14.49 per \$1,000 of assessed value. The assessed value upon which the 2017 receipts were based was \$121,021,960. This amount constitutes \$120,315,850 in real property assessed value and \$706,110 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.449% (14.49 mills) of assessed value.

B. Income Tax

The City levies a tax of 2.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of 2.5% of taxable salaries, wages, commissions and other compensation.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 7 – TAX ABATEMENT DISCLOSURES

As of December 31, 2017, the City provides tax incentives under various programs as follows:

A. Tax Increment Financing

Pursuant to Ohio Revised Code Chapter 5709, the City established an Incentive District to pay for public improvements funded through Tax Increment Financing (TIF). One TIF was approved in 2005, TIF proceeds began in 2011. The incremental increase in property value from the mixed use development was nearly \$10 million. The City also entered into an agreement with the School District to pay, from the TIF proceeds, 50% of what they would have received for the improvements without the TIF. The TIF was established for a term of 19 years with 100% exemption on the incremental property value. The TIF is active and in compliance. Although the TIF is scheduled to end by 2029, the last year of the debt service for the related public improvements, based on the current trend of TIF proceeds, we anticipate the TIF fund will have sufficient funds to pay the remaining debt by 2021. In 2017 TIF Proceeds were \$255,641 and expenses included \$9,123 in county collection costs, \$59,348 payment to the school district and \$91,456 in debt service leaving a net balance of \$95,714 for the year and \$446,821 cumulative balance.

B. Economic Development Incentive

The City of Oberlin established an Economic Development Business Incentive Program, also referred to as the Oberlin Business Incentive Program (OBIP), to provide incentives to businesses moving into the City of Oberlin or expanding in the City and creating jobs. The incentive is based on total jobs and payroll dollars added in the City. The incentive is made of two components, one is an upfront incentive, not to exceed \$10,000 based on projected new or expanded payrolls. A clawback provision is part of the upfront incentive to ensure performance. The second component is based on the availability of non-tax dollars, if available, the City will provide an annual incentive in the amount of up-to 50% of the Income Taxes collection from withholdings and net profits. This component is based on a contract that includes maintaining certain full-time equivalent jobs within the City and minimum payroll levels. Since the inception of this program, we have received two applications. Both were approved by the City Manager in accordance with the legislation creating the program, and memorialized by an agreement between the City and the Company. Monitoring of the agreements is handled by the Finance Office. One of the two companies has not been in compliance with the agreement and has not received an incentive payment the last 4 years, we have evaluated 7 years of their 10-year agreement. If they reach a point of compliance, incentives may be reestablished, so long as other provisions are in compliance. The second company has been in compliance since inception and has received payments for 7 of their 10-year agreement. They both have caps on their incentives of \$50,000 each per year, as well as caps on their incentive periods of no more than 10 years. In 2017 the City paid \$27,354 in OBIP incentives.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 7 – TAX ABATEMENT DISCLOSURES (Continued)

C. Community Reinvestment Area

The City of Oberlin established a Community Reinvestment Area (CRA) on August 8, 2003 by Ordinance No. 03-51 in accordance with Ohio Revised Code 3735.65-3735.70. The CRA has no expiration date although the City Council reserves the right to re-evaluate the CRA on an annual basis. The CRA was certified by the State of Ohio on October 28, 2003. Terms of abatement for commercial and industrial projects are negotiated on a case-by-case basis. Residential projects are 50% for 10 years for new construction or remodeling of dwellings containing not more than 2 housing units, provided that the cost of construction or remodeling is at least \$2500. 50% for 10 years for new construction or remodeling of dwellings containing more than 2 housing units and fewer than 6 units, provided that the cost of construction or remodeling is at least \$5,000. The City has no property tax exemptions currently in place under the CRA.

D. Enterprise Zone

The City of Oberlin established an Enterprise Zone in 1991 pursuant to Ohio Revised Code Section 5709, and affirmed by the Lorain County Commissioners and the State Department of Development. The City has two Enterprise Zone tax exemption agreements in place for the same company that exempt 75% of the property taxes for 10 years. The first agreement done in 2015 was for two building additions where the actual investment was \$1.48 million. Associated construction began prior to July 2015 and it was completed by December 2016. In return, the company agreed to retain their current 25 full-time jobs and create 8 new full-time jobs, which they have already done. The new positions have created \$197,000 in new payroll. The new positions were to be created within 3 years of the project completion. The second agreement done in 2017 was for a building addition valued between \$630,000 and \$820,000. This addition is still under construction and should be completed in May of 2018. For this project, the company agreed to retain its 37 full-time jobs and create 3 additional full-time jobs. The new jobs will create approximately \$150,000 in new payroll. These new positions also are to be created within 3 years of project completion. The Oberlin School District and the Lorain County Joint Vocational School were notified of both exemption applications and were provided a copies in accordance with Revised Code Section 5709.83. The County Tax Incentive Review Council annually monitors the performance of any Enterprise Zone tax exemptions. In 2016 no taxes were yet exempted. The abatement began for the first agreement in 2017. The abatement for the second agreement will not begin until 2019.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, interest, accounts receivable, interfund loans, loans, special assessments and intergovernmental receivables arising from shared revenues.

NOTE 9 - INTERFUND BALANCES

Individual interfund balances at December 31, 2017 that are expected to be paid within one year are as follows:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Funds:		
General Fund	\$498,925	\$0
EMS Grant Fund	0	2,270
Gasholder Renovation Fund	0	36,813
Sidewalk Improvement Fund	0	85,402
Total Governmental Funds	<u>498,925</u>	<u>124,485</u>
Proprietary Funds:		
Refuse Fund	0	374,440
Totals	<u><u>\$498,925</u></u>	<u><u>\$498,925</u></u>

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2017:

Transfers In:	Transfers Out:						Total
	General Fund	Income Tax Fund	Other Governmental Funds	Internal Service Fund	Sewer Fund	Refuse Fund	
General Fund	\$0	\$0	\$500	\$0	\$0	\$0	\$500
Other Governmental Funds	502,446	1,001,965	91,456	3,000	21,989	261,225	1,882,081
Total	<u>\$502,446</u>	<u>\$1,001,965</u>	<u>\$91,956</u>	<u>\$3,000</u>	<u>\$21,989</u>	<u>\$261,225</u>	<u>\$1,882,581</u>

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them; (3) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; (4) for capital purchases authorized by council; and (5) move revenues to the Equipment Replacement Fund.

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CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2017:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$2,106,254	\$144,010	\$0	\$2,250,264
Construction in Progress	1,231,372	1,342,682	(1,825,800)	748,254
Subtotal	<u>3,337,626</u>	<u>1,486,692</u>	<u>(1,825,800)</u>	<u>2,998,518</u>
<i>Capital assets being depreciated:</i>				
Buildings	13,334,631	0	(129,746)	13,204,885
Improvements Other than Buildings	920,041	0	0	920,041
Machinery and Equipment	6,543,868	197,611	(52,580)	6,688,899
Infrastructure	37,749,815	1,621,262	(397,428)	38,973,649
Subtotal	<u>58,548,355</u>	<u>1,818,873</u>	<u>(579,754)</u>	<u>59,787,474</u>
Total Cost	<u>\$61,885,981</u>	<u>\$3,305,565</u>	<u>(\$2,405,554)</u>	<u>\$62,785,992</u>

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings	(\$3,794,728)	(\$331,269)	\$17,840	(\$4,108,157)
Improvements Other than Buildings	(209,760)	(42,638)	0	(252,398)
Machinery and Equipment	(5,077,145)	(393,253)	49,393	(5,421,005)
Infrastructure	(21,369,213)	(1,330,040)	352,438	(22,346,815)
Total Depreciation	<u>(\$30,450,846)</u>	<u>(\$2,097,200) *</u>	<u>\$419,671</u>	<u>(\$32,128,375)</u>
<i>Net Value:</i>	<u>\$31,435,135</u>			<u>\$30,657,617</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$276,059
Public Health and Welfare Services	19,350
Leisure Time Activities	118,028
Community Development	3,237
Basic Utility Services	39,083
Transportation	1,417,803
General Government	<u>108,337</u>
Total Depreciation Expense recorded within the Governmental Activities	1,981,897
Amount of Depreciation Expense recorded in the Internal Service Fund	<u>115,303</u>
Total Depreciation Expense	<u>\$2,097,200</u>

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category at December 31, 2017:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$666,812	\$0	\$0	\$666,812
Construction in Progress	75,379	709,020	(218,713)	565,686
Subtotal	<u>742,191</u>	<u>709,020</u>	<u>(218,713)</u>	<u>1,232,498</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,419,583	0	0	8,419,583
Infrastructure	14,125,792	189,606	(9,021)	14,306,377
Improvements Other than Buildings	2,063,195	66,561	0	2,129,756
Machinery and Equipment	21,817,037	396,070	(51,075)	22,162,032
Subtotal	<u>46,425,607</u>	<u>652,237</u>	<u>(60,096)</u>	<u>47,017,748</u>
Total Cost	<u>\$47,167,798</u>	<u>\$1,361,257</u>	<u>(\$278,809)</u>	<u>\$48,250,246</u>

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings	(\$3,639,304)	(\$178,870)	\$0	(\$3,818,174)
Infrastructure	(3,151,227)	(159,761)	5,009	(3,305,979)
Improvements Other than Buildings	(558,674)	(103,383)	0	(662,057)
Machinery and Equipment	(15,565,682)	(1,134,793)	48,334	(16,652,141)
Total Depreciation	<u>(\$22,914,887)</u>	<u>(\$1,576,807)</u>	<u>\$53,343</u>	<u>(\$24,438,351)</u>
<i>Net Value:</i>	<u>\$24,252,911</u>			<u>\$23,811,895</u>

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CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

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

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

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

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

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

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$734,034 for 2017.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$312,993 for 2017.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportionate Share of the Net Pension Liability	\$9,945,161	\$4,516,956	\$14,462,117
Proportion of the Net Pension Liability-2017	0.043795%	0.071314%	
Proportion of the Net Pension Liability-2016	0.042177%	0.072947%	
Percentage Change	0.001618%	(0.001633%)	
Pension Expense	\$2,174,955	\$542,109	\$2,717,064

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,481,063	\$439,255	\$1,920,318
Changes in assumptions	1,577,424	0	1,577,424
Differences between expected and actual experience	13,480	1,278	14,758
Change in proportionate share	137,414	0	137,414
City contributions subsequent to the measurement date	734,034	312,993	1,047,027
Total Deferred Outflows of Resources	<u>\$3,943,415</u>	<u>\$753,526</u>	<u>\$4,696,941</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$59,190	\$10,400	\$69,590
Change in proportionate share	0	73,761	73,761
Total Deferred Inflows of Resources	<u>\$59,190</u>	<u>\$84,161</u>	<u>\$143,351</u>

\$1,047,027 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Year Ending December 31:			
2018	\$1,308,603	\$152,227	\$1,460,830
2019	1,352,877	152,227	1,505,104
2020	532,127	112,421	644,548
2021	(43,416)	(44,399)	(87,815)
2022	0	(14,684)	(14,684)
2023	0	(1,420)	(1,420)
Total	<u>\$3,150,191</u>	<u>\$356,372</u>	<u>\$3,506,563</u>

E. Actuarial Assumptions - OPERS

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions – OPERS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions – OPERS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$15,193,454	\$9,945,161	\$5,571,634

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions – OPF (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	10 year Expected Real Rate of Return**	30 year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation Protected *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	120.00 %		

* levered 2x

** numbers are net of expected inflation

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City’s proportionate share of the net pension liability	\$6,016,051	\$4,516,956	\$3,246,454

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

G. Changes Between Measurement Date and Report Date

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were \$58,639, \$113,230 and \$109,356, respectively, which were equal to the required contributions for each year.

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

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

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

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

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

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

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2017, 2016, and 2015 were \$7,597, \$8,094 and \$8,300, 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, 2017

NOTE 14 – COMPENSATED ABSENCES

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

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

At December 31, 2017, the City's accumulated, unpaid compensated absences amounted to \$1,393,181, of which \$953,037 is recorded as a liability of the Governmental Activities and \$440,144 is recorded as a liability of the Business-Type Activities.

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 15 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2017 was as follows:

Date Purchased	Interest Rate	Description	Maturity Date	Balance December 31, 2016	Additions	(Reductions)	Balance December 31, 2017	Amount Due Within One Year
Business-Type Activities:								
Ohio Water Development Authority Loans (OWDA):								
2008	2.000%	OWDA - Project #4875	2029	\$3,372,296	\$0	(\$229,574)	\$3,142,722	\$234,189
Payable to Joint Venture				48,055	0	(45,867)	2,188	0
Compensated Absences				439,460	440,144	(439,460)	440,144	162,674
Net Pension Liability - OPERS				3,309,315	1,099,415	0	4,408,730	0
Total Business-Type Long-Term Debt				<u>\$7,169,126</u>	<u>\$1,539,559</u>	<u>(\$714,901)</u>	<u>\$7,993,784</u>	<u>\$396,863</u>
Governmental Activities:								
General Obligation Bonds:								
2015	3.000%	Municipal Service Center Premium	2027	2,755,000	0	(235,000)	2,520,000	240,000
				54,859	0	(4,987)	49,872	0
2010	2.000%	Improvement Bonds	2030	3,875,000	0	(220,000)	3,655,000	225,000
Total General Obligation Bonds				6,684,859	0	(459,987)	6,224,872	465,000
Ohio Public Works Commission Loans:								
2006	0.000%	East Hamilton Road	2017	2,798	0	(2,798)	0	0
2006	0.000%	North Professor Street	2021	8,872	0	(1,970)	6,902	1,970
2010	0.000%	North Pleasant/Walnut Street	2029	190,693	0	(15,256)	175,437	15,256
2011	0.000%	North Professor, Union Street	2027	116,000	0	(11,600)	104,400	11,600
2013	0.000%	South Professor Street	2034	168,423	0	(9,907)	158,516	9,907
2017	0.000%	South Professor Street	2037	0	110,534	0	110,534	5,526
2017	0.000%	Oberlin Road Resurfacing	2030	0	17,356	0	17,356	723
Total Ohio Public Commission Loans				486,786	127,890	(41,531)	573,145	44,982
Compensated Absences				878,647	953,037	(878,647)	953,037	299,086
Net Pension Liability - OPERS				3,997,707	1,538,724	0	5,536,431	0
Net Pension Liability - OPF				4,691,308	0	(174,352)	4,516,956	0
Total Governmental Activities Long-Term Debt				<u>\$16,739,307</u>	<u>\$2,619,651</u>	<u>(\$1,554,517)</u>	<u>\$17,804,441</u>	<u>\$809,068</u>

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CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 15 - LONG-TERM DEBT (Continued)

A. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2017 follows:

Years	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$465,000	\$175,500	\$234,189	\$61,689	\$44,982	\$0
2019	435,000	164,550	238,896	56,982	45,707	0
2020	485,000	155,174	243,697	52,180	45,707	0
2021	500,000	138,838	248,596	47,282	44,721	0
2022	510,000	126,286	253,592	42,285	43,736	0
2023-2027	2,830,000	421,990	1,346,500	132,888	212,878	0
2028-2032	950,000	67,788	577,252	14,504	105,478	0
2033-2037	0	0	0	0	29,936	0
Totals	<u>\$6,175,000</u>	<u>\$1,250,126</u>	<u>\$3,142,722</u>	<u>\$407,810</u>	<u>\$573,145</u>	<u>\$0</u>

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CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2017 the City had the following commitments with respect to capital projects:

Project	Remaining Construction Commitment	Expected Date of Completion
Green Acres Demolition	\$17,966	2018
Safe Routes to School	4,072	2018
Gasholder Building Phase 2A	5,744	2018
Gasholder Building Phase 2B	12,720	2018
OMLPS Bus Panel Project	21,200	2018
Fiber from City Hall	37,295	2018
Cemetery Management Information System	16,250	2018
E College / N Pleasant Pavement Improve.	170,855	2018
E College / N Pleasant Pavement Improve.	28,012	2018
Shipherd Circle Waterline	167,139	2018
Shipherd Circle Waterline	28,741	2018
OMLPS Engine 8 Repair	3,531	2018
Switch Station Breaker Replacement	190,857	2018
PST01- Power Plant Transformer Repair	283,195	2018
Butternut 69 KV Line	62,859	2018
Power Plant Battery Banks	37,543	2018
2017 Sidewalk Replacement	79,761	2018
WEPF Sludge Drying Bed Bldg Eval	6,311	2018
Clark Property Phase II Env Assess.	28,620	2018
IAQ Remediation 69 S. Main	6,875	2018
Engineering Services	4,563	2018
Zavodsky House Const. Drawings/Admin	11,600	2018
Total	\$1,225,709	

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 17 - RISK MANAGEMENT

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

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

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

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

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

NOTE 18 - CONTINGENCIES

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 19 - JOINT VENTURES

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

The City is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net position of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP 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 \$17,348 at December 31, 2017. Complete financial statements for Omega JV-1 can be obtained from AMP or from the City's Finance Director.

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 19 - JOINT VENTURES (Continued)

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017 the City of Oberlin has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2017, the outstanding debt was \$188,606. The City's net obligation for this amount at December 31, 2017 was \$2,188. 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 \$91,393 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF OBERLIN, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 19 - JOINT VENTURES (Continued)

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2017 are:

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

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

	Years	Principal	Interest	Total Debt Service
2018		\$2,188	\$31	\$2,219
Total Gross Liability		<u>2,188</u>	<u>31</u>	<u>2,219</u>
Net Obligation		<u><u>\$2,188</u></u>		

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 19 - JOINT VENTURES (Continued)

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

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017 the City of Oberlin has met their debt coverage obligation.

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 19 - JOINT VENTURES (Continued)

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$90,234 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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

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

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

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

CITY OF OBERLIN, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 19 - JOINT VENTURES (Continued)

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017 the City of Oberlin has met their debt coverage obligation.

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

OMEGA JV6 is managed by American Municipal Power, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. On August 15, 2015 the remaining balance was paid on the OMEGA JV6 Bonds.

The City's net 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 \$178,994 at December 31, 2017. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF OBERLIN, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 19 - JOINT VENTURES (Continued)

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

The ten participating subdivisions and their respective ownership shares at December 31, 2017 are:

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

CITY OF OBERLIN, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF OBERLIN, OHIO

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

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
City's proportion of the net pension liability	0.042842%	0.042842%	0.042177%	0.043795%
City's proportionate share of the net pension liability	\$5,050,514	\$5,167,224	\$7,305,626	\$9,945,161
City's covered-employee payroll	\$5,801,092	\$5,294,200	\$5,773,150	\$5,661,467
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.06%	97.60%	126.54%	175.66%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
City's proportion of the net pension liability	0.0729048%	0.0729048%	0.072947%	0.071314%
City's proportionate share of the net pension liability	\$3,550,692	\$3,776,773	\$4,692,704	\$4,516,956
City's covered-employee payroll	\$1,818,004	\$1,495,555	\$1,654,022	\$1,610,806
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195.31%	252.53%	283.71%	280.42%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

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

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

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

CITY OF OBERLIN, OHIO

Schedule of City Contributions Last Five Years

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016	2017
Contractually required contribution	\$754,142	\$635,304	\$692,778	\$679,376	\$734,034
Contributions in relation to the contractually required contribution	<u>754,142</u>	<u>635,304</u>	<u>692,778</u>	<u>679,376</u>	<u>734,034</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,801,092	\$5,294,200	\$5,773,150	\$5,661,467	\$5,646,415
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016	2017
Contractually required contribution	\$310,515	\$304,495	\$332,293	\$323,611	\$312,993
Contributions in relation to the contractually required contribution	<u>310,515</u>	<u>304,495</u>	<u>332,293</u>	<u>323,611</u>	<u>312,993</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$1,818,004	\$1,495,555	\$1,654,022	\$1,610,806	\$1,557,954
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%	20.09%	20.09%

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

CITY OF OBERLIN, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board's investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities the plan will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

There have been no plan amendments adopted or changes in assumptions since the latest actuarial valuation, as of January 1, 2016, with actuarial liability rolled forward to December 31, 2016. The assumed investment rate of return and the discount rate is 8.25 percent.

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

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Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

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

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oberlin, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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



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

May 14, 2018

**CITY OF OBERLIN
LORAIN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

The prior audit report, as of December 31, 2016, included no findings or instances of noncompliance.

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Dave Yost • Auditor of State

CITY OF OBERLIN

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 10, 2018