

**BASIC FINANCIAL STATEMENTS**

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

*Prepared by:*

**Finance Department  
Kathleen Hufford,  
Director**



OHIO AUDITOR OF STATE  
KEITH FABER



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Members of City Council  
City of Oregon  
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We have reviewed the *Independent Auditors' Report* of the City of Oregon, Lucas County, prepared by Rehmann Robson LLC, 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 Oregon is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

June 26, 2019

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**TABLE OF CONTENTS**

<b>A</b>	Independent Auditors' Report.....	1
<b>B</b>	Management's Discussion and Analysis .....	5
<b>C</b>	Basic Financial Statements:	
	Government-wide Financial Statements:	
	Statement of Net Position .....	18
	Statement of Activities .....	20
	Fund Financial Statements:	
	<b>Governmental Funds:</b>	
	Balance Sheet .....	22
	Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	23
	Statement of Revenues, Expenditures and Changes in Fund Balances .....	25
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26
	Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
	General Fund.....	29
	<b>Proprietary Funds:</b>	
	Statement of Net Position .....	30
	Statement of Revenues, Expenses and Changes in Fund Net Position.....	33
	Statement of Cash Flows .....	34
	<b>Fiduciary Funds:</b>	
	Statement of Fiduciary Assets and Liabilities .....	36
	Notes to the Basic Financial Statements .....	37
<b>D</b>	Required Supplemental Information:	
	Schedule of the City's Proportionate Share of the Net Pension Liability.....	86
	Schedule of City Contributions .....	87
	Notes to the Required Supplemental Information.....	88

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**INDEPENDENT AUDITORS' REPORT**

June 28, 2018

Honorable Mayor and  
Members of the City Council  
City of Oregon, 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 Oregon, 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.

***Independent Auditors' 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 auditors' 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 Oregon, Ohio, 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 conformity with accounting principles generally accepted in the United States of America.

### *Restatement*

As discussed in Note 2 to the financial statements, the beginning net position of governmental activities, business-type activities, sewer fund and water fund, as well as the beginning fund balance of the general, street construction and nonmajor governmental funds, were restated to correct a misstatement of capital funding improperly split between funds during the prior audit. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the 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 June 28, 2018, on our consideration of the City of Oregon, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Rehmann Lohman LLC*

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# CITY OF OREGON, OHIO

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

*Unaudited*

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The discussion and analysis of the City of Oregon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 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 and 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 increased \$83,667. Net position of governmental activities decreased \$2,727,556 from 2016. Net position of business-type activities increased \$2,811,223 from 2016.
- ❑ General revenues accounted for \$22.8 million in revenue or 53% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for the remaining 47% of total revenues of \$43,387,537.
- ❑ The City had \$30.9 million in expenses related to governmental activities; only \$8.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$22.8 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$20.1 million in revenues and \$19.2 million in expenditures. The general fund's fund balance decreased \$6,949,338 to \$24,667,956.
- ❑ Net position for enterprise funds on an accrual basis increased by \$2,758,468.

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

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements and required supplementary information*. 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 OREGON, OHIO

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

*Unaudited*

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## **Government-wide Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

## CITY OF OREGON, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 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 programs. All of the City's fiduciary activities are reported in separate Statement of Fiduciary 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	Restated 2016	2017	Restated 2016	2017	2016
	Current and other assets	\$49,742,504	\$53,295,803	\$17,328,361	\$14,200,626	\$67,070,865
Capital assets, Net	75,400,540	70,936,499	81,532,717	66,486,909	156,933,257	137,423,408
Total assets	<u>125,143,044</u>	<u>124,232,302</u>	<u>98,861,078</u>	<u>80,687,535</u>	<u>224,004,122</u>	<u>204,919,837</u>
Deferred outflows of resources	<u>6,743,596</u>	<u>6,231,382</u>	<u>1,932,161</u>	<u>1,378,595</u>	<u>8,675,757</u>	<u>7,609,977</u>
Net pension liability	24,348,885	21,521,570	4,835,651	3,522,721	29,184,536	25,044,291
Other long-term liabilities	11,065,978	11,583,830	42,962,343	27,911,466	54,028,321	39,495,296
Other liabilities	3,403,881	1,497,883	3,504,247	3,912,881	6,908,128	5,410,764
Total liabilities	<u>38,818,744</u>	<u>34,603,283</u>	<u>51,302,241</u>	<u>35,347,068</u>	<u>90,120,985</u>	<u>69,950,351</u>
Deferred inflows of resources	<u>1,210,549</u>	<u>1,275,498</u>	<u>28,778</u>	<u>68,065</u>	<u>1,239,327</u>	<u>1,343,563</u>
Net position:						
Net investment in capital assets	67,568,602	62,524,220	39,529,483	39,489,571	107,098,085	102,013,791
Restricted	13,835,703	15,785,714	0	0	13,835,703	15,785,714
Unrestricted	<u>10,453,042</u>	<u>16,274,969</u>	<u>9,932,737</u>	<u>7,161,426</u>	<u>20,385,779</u>	<u>23,436,395</u>
Total net position	<u>\$91,857,347</u>	<u>\$94,584,903</u>	<u>\$49,462,220</u>	<u>\$46,650,997</u>	<u>\$141,319,567</u>	<u>\$141,235,900</u>

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

## *CITY OF OREGON, OHIO*

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

*Unaudited*

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

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

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

## **CITY OF OREGON, OHIO**

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

***Unaudited***

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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.

At fiscal year-end for governmental activities, capital assets represented 60% of total assets. Capital assets include land, land improvements, infrastructure, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at December 31, 2017 was \$67,568,602. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$13,835,703, 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 \$28 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

## CITY OF OREGON, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 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
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$2,872,536	\$3,213,880	\$10,401,918	\$15,941,166	\$13,274,454	\$19,155,046
Operating Grants and Contributions	1,128,477	1,316,880	0	0	1,128,477	1,316,880
Capital Grants and Contributions	4,718,408	2,383,126	1,468,475	1,652,208	6,186,883	4,035,334
General Revenues:						
Property Taxes	1,020,004	995,271	0	0	1,020,004	995,271
Payments in Lieu of Taxes	407,476	363,970	0	0	407,476	363,970
Income Taxes	18,645,749	22,304,294	0	0	18,645,749	22,304,294
Shared Revenues	1,405,769	1,758,986	0	0	1,405,769	1,758,986
Investment Earnings	464,183	332,988	22,637	23,180	486,820	356,168
Miscellaneous	833,544	1,364,794	0	0	833,544	1,364,794
<b>Total Revenues</b>	<b>31,496,146</b>	<b>34,034,189</b>	<b>11,893,030</b>	<b>17,616,554</b>	<b>43,389,176</b>	<b>51,650,743</b>
<b>Program Expenses</b>						
Security of Persons and Property	13,446,358	14,120,449	0	0	13,446,358	14,120,449
Public Health and Welfare Services	485,077	449,018	0	0	485,077	449,018
Leisure Time Activities	1,343,816	1,215,168	0	0	1,343,816	1,215,168
Community Environment	1,426,343	1,174,604	0	0	1,426,343	1,174,604
Basic Utility Services	1,223,687	1,246,762	0	0	1,223,687	1,246,762
Transportation	6,402,871	6,827,304	0	0	6,402,871	6,827,304
General Government	6,388,640	5,200,598	0	0	6,388,640	5,200,598
Interest and Fiscal Charges	209,844	230,953	0	0	209,844	230,953
Water	0	0	6,019,305	5,800,814	6,019,305	5,800,814
Sewer	0	0	6,359,568	7,695,079	6,359,568	7,695,079
<b>Total Expenses</b>	<b>30,926,636</b>	<b>30,464,856</b>	<b>12,378,873</b>	<b>13,495,893</b>	<b>43,305,509</b>	<b>43,960,749</b>
Excess (Deficiency) Before Transfers	569,510	3,569,333	(485,843)	4,120,661	83,667	7,689,994
Transfers In (Out)	(3,297,066)	(2,703,170)	3,297,066	2,703,170	0	0
<b>Total Change in Net Position</b>	<b>(2,727,556)</b>	<b>866,163</b>	<b>2,811,223</b>	<b>6,823,831</b>	<b>83,667</b>	<b>7,689,994</b>
Beginning Net Position, Restated	94,584,903	92,399,581	46,650,997	41,146,325	141,235,900	133,545,906
<b>Ending Net Position</b>	<b>\$91,857,347</b>	<b>\$93,265,744</b>	<b>\$49,462,220</b>	<b>\$47,970,156</b>	<b>\$141,319,567</b>	<b>\$141,235,900</b>



## **CITY OF OREGON, OHIO**

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

**Unaudited**

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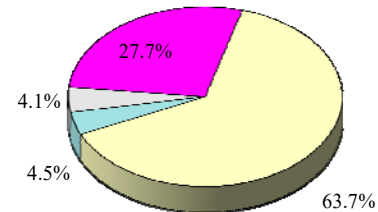
### **Governmental Activities**

Net position of the City's governmental activities decreased by \$2,727,556. This was due primarily to a decrease in income tax revenue because of less withholding revenue in 2017 than 2016.

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

Property taxes and income taxes made up 3.2% and 59.2% 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 63.7% of total revenues from general tax revenues:

<u>Revenue Sources</u>	<u>2017</u>	<u>Percent of Total</u>
General Shared Revenues	\$1,405,769	4.5%
Program Revenues	8,719,421	27.7%
General Tax Revenues	20,073,229	63.7%
General Other	1,297,727	4.1%
Total Revenue	<u>\$31,496,146</u>	<u>100.00%</u>



# CITY OF OREGON, OHIO

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

Unaudited

## Business-Type Activities

Net position of the business-type activities increased by \$2,811,223. This increase was due in large part to ongoing projects at the water treatment and wastewater treatment plants whereby many of the expenditures related to these projects were capitalized during 2017, resulting in a decrease in current year expenditures compared to the previous year.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$40,840,667, which is a decrease from last year's restated balance of \$46,369,614. 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	Restated Fund Balance December 31, 2016	Increase (Decrease)
General	\$24,667,956	\$31,617,294	(\$6,949,338)
Street Construction	3,485,686	3,989,577	(503,891)
Other Governmental	12,687,025	10,762,743	1,924,282
Total	<u>\$40,840,667</u>	<u>\$46,369,614</u>	<u>(\$5,528,947)</u>

General Fund – The City's General Fund balance decrease 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	\$16,372,980	\$19,209,060	(\$2,836,080)
Intergovernmental Revenue	495,344	648,339	(152,995)
Charges for Services	1,909,012	1,967,167	(58,155)
Fines, Licenses and Permits	499,156	491,000	8,156
Investment Earnings	436,615	369,500	67,115
Special Assessments	168,851	167,311	1,540
All Other Revenue	260,808	618,578	(357,770)
Total	<u>\$20,142,766</u>	<u>\$23,470,955</u>	<u>(\$3,328,189)</u>

General Fund revenues in 2017 decreased approximately 14.2% compared to revenues in fiscal year 2016. The most significant factor contributing to this decrease was a decrease in income tax revenue during the year.

## CHANGE IN FUND BALANCE

The decrease in fund balance for the Street Construction Fund was largely related to the increase in capital expenditures for the Navarre Avenue Safety Improvements project.

**CITY OF OREGON, OHIO**

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

**Unaudited**

	<u>2017</u>	<u>2016</u>	<u>Increase</u>
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$9,454,136	\$10,374,441	(\$920,305)
Public Health and Welfare Services	358,675	347,242	11,433
Leisure Time Activities	7,100	0	7,100
Community Environment	721,141	561,600	159,541
Transportation	3,268,068	3,046,045	222,023
General Government	5,398,076	4,492,629	905,447
Debt Service:			
Principal Retirement	0	31,957	(31,957)
Interest and Fiscal Charges	0	737	(737)
Total	<u>\$19,207,196</u>	<u>\$18,854,651</u>	<u>\$352,545</u>

General Fund expenditures increased by \$352,545 or 1.9% compared to the prior year mostly due to increases in General Government. The increase in General Government can be attributed to an increase in retirement payouts.

**GENERAL FUND BUDGETARY INFORMATION**

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

During the course of fiscal year 2017 the City amended its General Fund budget several times, none were significant.

For the General Fund, final budget basis revenue of \$20 million changed slightly from the original budget estimates of \$20.2 million. The General Fund had an adequate fund balance to cover expenditures.

**CITY OF OREGON, OHIO**

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

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2017 the City had \$156,933,257 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment, vehicles and construction in progress. Of this total, \$75,400,540 was related to governmental activities and \$81,532,717 to business-type activities. The following table shows fiscal year 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land and Land Improvements	\$13,429,307	\$13,374,079	\$55,228
Construction in Progress	17,396,057	11,940,754	5,455,303
Buildings and Improvements	9,794,395	9,502,386	292,009
Machinery and Equipment	5,501,882	5,265,964	235,918
Vehicles	9,942,537	9,704,937	237,600
Infrastructure	67,974,461	68,022,998	(48,537)
Less: Accumulated Depreciation	(48,638,099)	(46,874,619)	(1,763,480)
Totals	\$75,400,540	\$70,936,499	\$4,464,041

	Business-Type Activities		Increase (Decrease)
	2017	2016	
Land	\$756,016	\$756,016	\$0
Construction in Progress	44,045,401	26,967,360	17,078,041
Buildings and Distribution	93,611,057	93,401,444	209,613
Machinery and Equipment	15,765,375	15,667,822	97,553
Vehicles	1,150,913	969,750	181,163
Less: Accumulated Depreciation	(73,796,045)	(71,275,483)	(2,520,562)
Totals	\$81,532,717	\$66,486,909	\$15,045,808

The primary increase occurred in construction in progress for the Governmental Activities. This was primarily due to the construction expenses for the Navarre Avenue Safety Improvements project.

As of December 31, 2017, the City has contractual commitments of \$19,338,255, as listed in Note 15, for various projects. Included in these projects are street improvements, storm drainage and sanitary sewer, improvements to the Waste Water Treatment Plant and the Water Treatment Plant. Additional information on the City's capital assets can be found in Note 10.

## **CITY OF OREGON, OHIO**

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

**Unaudited**

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### **Debt**

At December 31, 2017, the City had \$5.5 million in bonds outstanding, \$525,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Governmental Activities:		
General Obligation Bonds	\$5,416,692	\$5,799,470
Special Assessment Bonds	0	26,000
OPWC Loans Payable	964,931	1,031,897
Long-Term Loan Payable	1,450,315	1,554,912
Pension Liability	40,653	42,198
Workers Compensation Liability	15,626	0
Compensated Absences	3,177,761	3,129,353
Total Governmental Activities	<u>11,065,978</u>	<u>11,583,830</u>
Business-Type Activities:		
General Obligation Bonds	\$190,000	\$398,574
OWDA Loans Payable	39,017,768	23,884,007
OPWC Loans Payable	2,802,611	2,729,047
Compensated Absences	951,964	899,838
Total Business-Type Activities	<u>42,962,343</u>	<u>27,911,466</u>
Totals	<u>\$54,028,321</u>	<u>\$39,495,296</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. At December 31, 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 14.

## **CITY OF OREGON, OHIO**

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

*Unaudited*

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### **ECONOMIC FACTORS**

The City's original budget for 2017 utilized conservative revenue estimates with some adjustments in base operating costs.

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

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

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-698-7000 or writing to City of Oregon Finance Department, 5330 Seaman Road, Oregon, Ohio 43616.

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**CITY OF OREGON, OHIO**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 10,650,189	\$ 794,392	\$ 11,444,581
Investments	32,341,865	11,590,427	43,932,292
Receivables:			
Taxes	3,741,262	0	3,741,262
Accounts	158,063	1,990,869	2,148,932
Intergovernmental	1,014,932	362,420	1,377,352
Payments in Lieu of Taxes	41,994	0	41,994
Interest	119,532	0	119,532
Special Assessments	1,619,558	1,417,818	3,037,376
Loans	91,485	0	91,485
Internal Balances	(802,559)	802,559	0
Inventory of Supplies at Cost	552,930	297,401	850,331
Prepaid Items	213,253	72,475	285,728
Capital Assets:			
Capital Assets Not Being Depreciated	22,049,865	44,801,417	66,851,282
Capital Assets Being Depreciated, Net	53,350,675	36,731,300	90,081,975
<b>Total Assets</b>	<b>125,143,044</b>	<b>98,861,078</b>	<b>224,004,122</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Debt Refunding	0	7,145	7,145
Deferred Pension Amounts	6,743,596	1,925,016	8,668,612
Total Deferred Outflows of Resources	6,743,596	1,932,161	8,675,757
<b>Liabilities:</b>			
Accounts Payable	2,469,923	1,884,280	4,354,203
Accrued Wages and Benefits	517,832	104,888	622,720
Retainage Payable	381,730	1,514,604	1,896,334
Accrued Interest Payable	34,396	475	34,871
Noncurrent liabilities:			
Due within one year	1,623,142	3,221,454	4,844,596
Net Pension Liability	24,348,885	4,835,651	29,184,536
Due in more than one year	9,442,836	39,740,889	49,183,725
<b>Total Liabilities</b>	<b>38,818,744</b>	<b>51,302,241</b>	<b>90,120,985</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	1,113,411	0	1,113,411
Deferred Pension Amounts	97,138	28,778	125,916
Total Deferred Inflows of Resources	1,210,549	28,778	1,239,327



**CITY OF OREGON, OHIO**

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	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	67,568,602	39,529,483	107,098,085
Restricted For:			
Capital Projects	5,820,678	0	5,820,678
Debt Service	901,513	0	901,513
Street Construction, Maintenance and Repair	1,082,887	0	1,082,887
Court Special Projects	293,811	0	293,811
Housing Assistance	16,428	0	16,428
Storm Sewer Project	1,496,712	0	1,496,712
Street Lighting	1,172,106	0	1,172,106
Perpetual Care:			
Nonexpendable	75,317	0	75,317
Other Purposes	2,976,251	0	2,976,251
Unrestricted	10,453,042	9,932,737	20,385,779
<b>Total Net Position</b>	<b>\$ 91,857,347</b>	<b>\$ 49,462,220</b>	<b>\$ 141,319,567</b>

See accompanying notes to the basic financial statements

**CITY OF OREGON, 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
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 13,446,358	\$ 499,069	\$ 3,542	\$ 385,355
Public Health and Welfare Services	485,077	55,734	0	0
Leisure Time Activities	1,343,816	161,265	0	0
Community Environment	1,426,343	247,642	0	0
Basic Utility Services	1,223,687	0	0	201,530
Transportation	6,402,871	48,131	1,124,935	4,130,745
General Government	6,388,640	1,860,695	0	778
Interest and Fiscal Charges	209,844	0	0	0
<b>Total Governmental Activities</b>	<b>30,926,636</b>	<b>2,872,536</b>	<b>1,128,477</b>	<b>4,718,408</b>
<b>Business-Type Activities:</b>				
Water	6,019,305	5,829,108	0	666,070
Sewer	6,359,568	4,572,810	0	802,405
<b>Total Business-Type Activities</b>	<b>12,378,873</b>	<b>10,401,918</b>	<b>0</b>	<b>1,468,475</b>
<b>Totals</b>	<b>\$ 43,305,509</b>	<b>\$ 13,274,454</b>	<b>\$ 1,128,477</b>	<b>\$ 6,186,883</b>

**General Revenues**

Property Taxes  
 Payments in Lieu of 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, as Restated (Note 2)

Net Position End of Year

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

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Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (12,558,392)	\$ 0	\$ (12,558,392)
(429,343)	0	(429,343)
(1,182,551)	0	(1,182,551)
(1,178,701)	0	(1,178,701)
(1,022,157)	0	(1,022,157)
(1,099,060)	0	(1,099,060)
(4,527,167)	0	(4,527,167)
(209,844)	0	(209,844)
(22,207,215)	0	(22,207,215)
0	475,873	475,873
0	(984,353)	(984,353)
0	(508,480)	(508,480)
(22,207,215)	(508,480)	(22,715,695)
1,020,004	0	1,020,004
407,476	0	407,476
18,645,749	0	18,645,749
1,405,769	0	1,405,769
464,183	22,637	486,820
833,544	0	833,544
(3,297,066)	3,297,066	0
19,479,659	3,319,703	22,799,362
(2,727,556)	2,811,223	83,667
94,584,903	46,650,997	141,235,900
\$ 91,857,347	\$ 49,462,220	\$ 141,319,567

**CITY OF OREGON, OHIO**

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

	General	Street Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,770,013	\$ 4,257,999	\$ 3,839,217	\$ 9,867,229
Investments	22,165,530	0	9,334,509	31,500,039
Receivables:				
Taxes	2,946,361	0	794,901	3,741,262
Accounts	91,225	0	66,838	158,063
Intergovernmental	236,623	243,534	534,775	1,014,932
Payments in Lieu of Taxes	0	0	41,994	41,994
Interest	119,532	0	0	119,532
Special Assessments	20,069	0	1,599,489	1,619,558
Loans	0	0	91,485	91,485
Interfund Loans Receivables	0	0	97,467	97,467
Inventory of Supplies, at Cost	552,930	0	0	552,930
Prepaid Items	188,714	0	13,974	202,688
<b>Total Assets</b>	<b>\$ 28,090,997</b>	<b>\$ 4,501,533</b>	<b>\$ 16,414,649</b>	<b>\$ 49,007,179</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 1,303,728	\$ 649,391	\$ 516,704	\$ 2,469,823
Accrued Wages and Benefits Payable	466,729	0	51,103	517,832
Retainage Payable	2,000	366,456	13,274	381,730
Interfund Loans Payable	0	0	634,279	634,279
Compensated Absences Payable	61,111	0	0	61,111
<b>Total Liabilities</b>	<b>1,833,568</b>	<b>1,015,847</b>	<b>1,215,360</b>	<b>4,064,775</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Amounts	862,055	0	2,126,270	2,988,325
Property Tax for Next Fiscal Year	727,418	0	385,994	1,113,412
<b>Total Deferred Inflows of Resources</b>	<b>1,589,473</b>	<b>0</b>	<b>2,512,264</b>	<b>4,101,737</b>
<b>Fund Balances:</b>				
Nonspendable	741,644	0	89,291	830,935
Restricted	0	3,485,686	8,362,839	11,848,525
Committed	785,902	0	4,820,104	5,606,006
Assigned	4,255,457	0	0	4,255,457
Unassigned	18,884,953	0	(585,209)	18,299,744
<b>Total Fund Balances</b>	<b>24,667,956</b>	<b>3,485,686</b>	<b>12,687,025</b>	<b>40,840,667</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 28,090,997</b>	<b>\$ 4,501,533</b>	<b>\$ 16,414,649</b>	<b>\$ 49,007,179</b>

See accompanying notes to the basic financial statements

## CITY OF OREGON, OHIO

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### ***Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2017***

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<b>Total Governmental Fund Balances</b>		\$ 40,840,667
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		75,400,540
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Municipal Income Taxes	686,699	
Property Taxes	38,771	
Charges for Services	91,485	
Interest Revenues	75,277	
Special Assessments	1,619,558	
Intergovernmental	<u>476,535</u>	2,988,325
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	6,743,596	
Deferred Inflows - Pension	(97,138)	
Net Pension Liability	<u>(24,348,885)</u>	(17,702,427)
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds.		(34,396)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		1,353,878
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	(5,300,000)	
Ohio Public Works Commission Loan Payable	(964,930)	
Long-Term Loan Payable	(1,450,315)	
Accrued Pension Liability	(40,653)	
Premium on General Obligation Bonds Payable	(116,692)	
Compensated Absences Payable	<u>(3,116,650)</u>	<u>(10,989,240)</u>
<b><i>Net Position of Governmental Activities</i></b>		<b><u>\$ 91,857,347</u></b>

See accompanying notes to the basic financial statements

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## CITY OF OREGON, OHIO

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

	General	Street Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 687,964	\$ 0	\$ 337,182	\$ 1,025,146
Payments in Lieu of Taxes	0	0	407,476	407,476
Municipal Income Taxes	15,685,016	0	3,211,747	18,896,763
Intergovernmental Revenues	495,344	1,883,476	2,413,583	4,792,403
Charges for Services	1,909,012	0	256,475	2,165,487
Licenses, Permits and Fees	232,415	0	0	232,415
Investment Earnings	436,615	0	1,429	438,044
Special Assessments	168,851	0	621,114	789,965
Fines and Forfeitures	266,741	0	230,592	497,333
Donations	0	0	28,770	28,770
All Other Revenue	260,808	1,899,646	335,042	2,495,496
<b>Total Revenues</b>	<u>20,142,766</u>	<u>3,783,122</u>	<u>7,843,410</u>	<u>31,769,298</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	9,454,136	0	2,373,368	11,827,504
Public Health and Welfare Services	358,675	0	16,823	375,498
Leisure Time Activities	7,100	0	1,089,745	1,096,845
Community Environment	721,141	0	666,617	1,387,758
Basic Utility Services	0	0	1,132,667	1,132,667
Transportation	3,268,068	0	1,174,632	4,442,700
General Government	5,398,076	0	310,664	5,708,740
Capital Outlay	0	4,266,967	2,992,257	7,259,224
Debt Service:				
Principal Retirement	0	0	572,563	572,563
Interest & Fiscal Charges	0	0	220,219	220,219
<b>Total Expenditures</b>	<u>19,207,196</u>	<u>4,266,967</u>	<u>10,549,555</u>	<u>34,023,718</u>
Excess (Deficiency) of Revenues				
Over Expenditures	935,570	(483,845)	(2,706,145)	(2,254,420)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	11,203	0	0	11,203
Transfers In	75,227	0	6,172,208	6,247,435
Transfers Out	(7,982,674)	(20,046)	(1,541,781)	(9,544,501)
<b>Total Other Financing Sources (Uses)</b>	<u>(7,896,244)</u>	<u>(20,046)</u>	<u>4,630,427</u>	<u>(3,285,863)</u>
Net Change in Fund Balances	(6,960,674)	(503,891)	1,924,282	(5,540,283)
<b>Fund Balances at Beginning of Year, as Restated</b>	31,617,294	3,989,577	10,762,743	46,369,614
Increase in Inventory Reserve	11,336	0	0	11,336
<b>Fund Balances End of Year</b>	<u>\$ 24,667,956</u>	<u>\$ 3,485,686</u>	<u>\$ 12,687,025</u>	<u>\$ 40,840,667</u>

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

***Reconciliation of The Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement Of Activities  
For The Year Ended December 31, 2017***

Net Change in Fund Balances - Total Governmental Funds \$ (5,540,283)

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

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

Capital Outlay	7,612,628	
Depreciation	<u>(3,104,463)</u>	4,508,165

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. (44,124)

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

Municipal Income Taxes	(251,014)	
Property Taxes	(5,142)	
All Other Revenue	(14,868)	
Interest	26,139	
Special Assessments	(12,412)	
Intergovernmental	<u>(27,058)</u>	(284,355)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,795,325

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (4,020,527)

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

General Obligation Bonds Principal	375,000	
Amortization of Premium on G.O. Bonds	7,778	
Special Assessment Bonds Principal	26,000	
OPWC Loans Principal	66,966	
Long-Term Loan Principal	104,597	
Ohio Police and Fire Principal Payment	<u>1,545</u>	581,886

(Continued)



## *CITY OF OREGON, OHIO*

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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	2,597
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Supplies Inventory	11,336	
Decrease in Compensated Absences Payable	<u>12,704</u>	24,040

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>249,720</u>
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***Change in Net Position of Governmental Activities***

<u>\$ (2,727,556)</u>
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See accompanying notes to the basic financial statements

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## CITY OF OREGON, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 665,100	\$ 687,915	\$ 687,964	\$ 49
Municipal Income Taxes	15,748,550	15,434,486	15,672,893	238,407
Intergovernmental Revenue	567,360	570,386	507,022	(63,364)
Charges for Services	1,985,574	1,935,241	1,924,733	(10,508)
Licenses, Permits and Fees	229,596	245,036	233,463	(11,573)
Investment Earnings	510,000	510,000	588,313	78,313
Special Assessments	170,719	170,719	168,851	(1,868)
Fines and Forfeitures	250,000	250,000	266,820	16,820
All Other Revenues	80,000	195,607	344,892	149,285
Total Revenues	<u>20,206,899</u>	<u>19,999,390</u>	<u>20,394,951</u>	<u>395,561</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	9,765,578	10,340,579	9,792,761	547,818
Public Health and Welfare Services	482,318	496,306	384,062	112,244
Leisure Time Activities	7,100	7,100	7,100	0
Community Environment	676,020	703,538	676,234	27,304
Transportation	3,455,255	3,694,069	3,367,510	326,559
General Government	4,607,956	4,850,964	4,515,204	335,760
Total Expenditures	<u>18,994,227</u>	<u>20,092,556</u>	<u>18,742,871</u>	<u>1,349,685</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,212,672	(93,166)	1,652,080	1,745,246
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,000	7,239	11,203	3,964
Transfers In	0	0	75,227	75,227
Transfers Out	(7,798,466)	(7,984,174)	(7,984,030)	144
Total Other Financing Sources (Uses):	<u>(7,797,466)</u>	<u>(7,976,935)</u>	<u>(7,897,600)</u>	<u>79,335</u>
Net Change In Fund Balance	(6,584,794)	(8,070,101)	(6,245,520)	1,824,581
Fund Balance at Beginning of Year, as Retated	29,352,035	29,352,035	29,352,035	0
Prior Year Encumbrances	808,656	808,656	808,656	0
Fund Balance at End of Year	<u>\$ 23,575,897</u>	<u>\$ 22,090,590</u>	<u>\$ 23,915,171</u>	<u>\$ 1,824,581</u>

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

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

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water	Sewer	Total	
<b>ASSETS</b>				
Current assets:				
Cash and Cash Equivalents	\$ 447,796	\$ 346,596	\$ 794,392	\$ 782,960
Investments	5,764,571	5,825,856	11,590,427	841,826
Accounts receivable (net of allow for uncollectibles)	1,242,596	748,273	1,990,869	0
Intergovernmental receivable	16,712	345,708	362,420	0
Special Assessments receivable	0	1,417,818	1,417,818	0
Interfund Loans Receivable	493,640	43,172	536,812	0
Inventory of Supplies at Cost	288,602	8,799	297,401	0
Prepaid Items	36,681	35,794	72,475	10,565
Total current assets	<u>8,290,598</u>	<u>8,772,016</u>	<u>17,062,614</u>	<u>1,635,351</u>
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	40,879,471	70,403,890	111,283,361	0
Construction in Progress	31,442,505	12,602,896	44,045,401	0
Less accumulated depreciation	<u>(25,370,316)</u>	<u>(48,425,729)</u>	<u>(73,796,045)</u>	<u>0</u>
Total capital assets (net of accumulated depr)	<u>46,951,660</u>	<u>34,581,057</u>	<u>81,532,717</u>	<u>0</u>
Total noncurrent assets	<u>46,951,660</u>	<u>34,581,057</u>	<u>81,532,717</u>	<u>0</u>
<b>Total assets</b>	<u>55,242,258</u>	<u>43,353,073</u>	<u>98,595,331</u>	<u>1,635,351</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred Charge on Debt Refunding	0	7,145	7,145	0
Deferred Pension Amounts	1,120,544	804,472	1,925,016	0
<b>Total Deferred Outflows of Resources</b>	<u>1,120,544</u>	<u>811,617</u>	<u>1,932,161</u>	<u>0</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts Payable	537,467	1,346,813	1,884,280	100
Accrued Wages and Benefits	64,327	40,561	104,888	0
Retainage Payable	1,139,325	375,279	1,514,604	0
Accrued Interest Payable	0	475	475	0
Compensated Absences Payable - Current	197,193	101,851	299,044	0
General Obligation Bonds Payable - Current	0	190,000	190,000	0
OWDA Loans Payable - Current	1,331,268	1,191,894	2,523,162	0
OPWC Loans Payable - Current	141,046	68,202	209,248	0
Total Current Liabilities	<u>3,410,626</u>	<u>3,315,075</u>	<u>6,725,701</u>	<u>100</u>

**CITY OF OREGON, OHIO**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>Noncurrent Liabilities:</b>				
Workers Compensation Liability	0	0	0	15,626
OWDA Loans Payable	16,947,455	19,547,151	36,494,606	0
OPWC Loans Payable	863,401	1,729,962	2,593,363	0
Net Pension Liability	2,814,812	2,020,839	4,835,651	0
Compensated Absences Payable	344,947	307,973	652,920	0
Total noncurrent liabilities	<u>20,970,615</u>	<u>23,605,925</u>	<u>44,576,540</u>	<u>15,626</u>
<b>Total Liabilities</b>	<u>24,381,241</u>	<u>26,921,000</u>	<u>51,302,241</u>	<u>15,726</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Pension Amounts	<u>16,751</u>	<u>12,027</u>	<u>28,778</u>	<u>0</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	27,668,490	11,860,993	39,529,483	0
Unrestricted	<u>4,296,320</u>	<u>5,370,670</u>	<u>9,666,990</u>	<u>1,619,625</u>
Total Net Position	<u>\$ 31,964,810</u>	<u>\$ 17,231,663</u>	<u>\$ 49,196,473</u>	<u>\$ 1,619,625</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			<u>265,747</u>	
Net Position of Business-type Activities			<u>\$ 49,462,220</u>	

See accompanying notes to the basic financial statements

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**CITY OF OREGON, OHIO**

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>Operating Revenues:</b>				
Charges for Services	\$ 5,201,422	\$ 4,567,363	\$ 9,768,785	\$ 72,014
Other Operating Revenues	627,686	5,447	633,133	319,556
<b>Total Operating Revenues</b>	<u>5,829,108</u>	<u>4,572,810</u>	<u>10,401,918</u>	<u>391,570</u>
<b>Operating Expenses:</b>				
Personal Services	2,987,179	2,426,776	5,413,955	89,095
Contractual Services	607,998	1,438,092	2,046,090	0
Materials and Supplies	855,766	79,420	935,186	0
Utilities	473,700	380,716	854,416	0
Depreciation	909,558	1,660,749	2,570,307	0
<b>Total Operating Expenses</b>	<u>5,834,201</u>	<u>5,985,753</u>	<u>11,819,954</u>	<u>89,095</u>
<b>Operating Income (Loss)</b>	(5,093)	(1,412,943)	(1,418,036)	302,475
<b>Non-Operating Revenue (Expenses):</b>				
Interest Income	22,637	0	22,637	0
Interest and Fiscal Charges	(214,214)	(395,821)	(610,035)	0
Sale of Capital Assets	0	(1,639)	(1,639)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(191,577)</u>	<u>(397,460)</u>	<u>(589,037)</u>	<u>0</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	(196,670)	(1,810,403)	(2,007,073)	302,475
Capital Contributions	666,070	802,405	1,468,475	0
Transfers In	2,200,000	1,257,166	3,457,166	0
Transfers Out	0	(160,100)	(160,100)	0
<b>Change in Net Position</b>	2,669,400	89,068	2,758,468	302,475
Net Position Beginning of Year, as Restated	29,295,410	17,142,595	46,438,005	1,317,150
<b>Net Position End of Year</b>	<u>\$ 31,964,810</u>	<u>\$ 17,231,663</u>	<u>\$ 49,196,473</u>	<u>\$ 1,619,625</u>
Change in Net Position - Total Enterprise Funds			2,758,468	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			<u>52,755</u>	
Change in Net Position - Business-type Activities			<u>\$ 2,811,223</u>	

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Totals	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$6,372,979	\$4,390,300	\$10,763,279	\$391,570
Cash Payments for Goods and Services	(1,986,806)	(2,012,625)	(3,999,431)	0
Cash Payments to Employees	(2,542,199)	(2,099,580)	(4,641,779)	(73,874)
Net Cash Provided by Operating Activities	1,843,974	278,095	2,122,069	317,696
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	2,200,000	1,257,166	3,457,166	0
Transfers Out to Other Funds	0	(160,100)	(160,100)	0
Net Cash Provided by Noncapital Financing Activities	2,200,000	1,097,066	3,297,066	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Intergovernmental Grants	759,952	222,877	982,829	0
Acquisition and Construction of Assets	(12,644,243)	(5,205,545)	(17,849,788)	0
Capital Contributions	4,356	332,127	336,483	0
Principal Paid on General Obligation Bonds	0	(190,000)	(190,000)	0
Ohio Water Development Authority Loans Issued	11,792,164	5,249,180	17,041,344	0
Ohio Public Works Commission Loans Issued	0	302,811	302,811	0
Principal Paid on				
Ohio Water Development Authority Loans	(910,019)	(997,564)	(1,907,583)	0
Principal Paid on				
Ohio Public Works Commission Loan	(141,046)	(88,201)	(229,247)	0
Interest Paid on All Debt	(214,214)	(407,725)	(621,939)	0
Net Cash Used in				
Noncapital Financing Activities	(1,353,050)	(782,040)	(2,135,090)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	1,313,916	1,313,916	0
Purchase of Investments	(2,591,858)	0	(2,591,858)	(242,228)
Receipts of Interest	22,637	0	22,637	0
Net Cash Provided (Used) in Investing Activities	(2,569,221)	1,313,916	(1,255,305)	(242,228)
Net Increase in Cash and Cash Equivalents	121,703	1,907,037	2,028,740	75,468
Cash Balance Restatement (See note 2)	300,000	(1,619,159)	(1,319,159)	0
Cash and Cash Equivalents at Beginning of Year	26,093	58,718	84,811	707,492
Cash and Cash Equivalents at End of Year	\$447,796	\$346,596	\$794,392	\$782,960



## CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Totals	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income (Loss)	(\$5,093)	(\$1,412,943)	(\$1,418,036)	\$302,475
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	909,558	1,660,749	2,570,307	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	531,392	(190,712)	340,680	0
Decrease in Interfund Loan Receivable	12,479	8,202	20,681	0
Decrease (Increase) in Inventory	15,225	(1,365)	13,860	0
Decrease (Increase) in Prepaid Items	3,985	1,659	5,644	(505)
Increase in Deferred Outflows of Resources	(326,368)	(234,343)	(560,711)	0
Increase (Decrease) in Accounts Payable	(68,552)	(114,691)	(183,243)	100
Increase in Accrued Wages and Benefits	5,129	1,989	7,118	0
Increase in Workers' Compensation Liability	0	0	0	15,626
Increase in Net Pension Liability	764,200	548,730	1,312,930	0
Decrease in Deferred Inflows of Resources	(22,870)	(16,417)	(39,287)	0
Increase in Compensated Absences	24,889	27,237	52,126	0
Total Adjustments	<u>1,849,067</u>	<u>1,691,038</u>	<u>3,540,105</u>	<u>15,221</u>
Net Cash Provided by Operating Activities	<u>\$1,843,974</u>	<u>\$278,095</u>	<u>\$2,122,069</u>	<u>\$317,696</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2017, the Water and the Sewer Funds had outstanding liabilities of \$1,520,453 and \$1,633,765, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

**CITY OF OREGON, OHIO**

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

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	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	<u>\$ 121,133</u>
<b>Liabilities:</b>	
Intergovernmental Payable	\$ 97,935
Due to Others	<u>23,198</u>
<b>Total Liabilities</b>	<u>\$ 121,133</u>

See accompanying notes to the basic financial statements

## **CITY OF OREGON, OHIO**

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

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

The City of Oregon, Ohio (the "City") was incorporated in 1838 under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1958 and has been amended several times, most recently in 2002.

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

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2017 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

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

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

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

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

## *CITY OF OREGON, OHIO*

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

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

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

*Governmental Funds* - Governmental funds are those funds through which most governmental functions are typically financed. Governmental funds are reported using the flow of current financial resources measurement focus. 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.

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed or assigned to expenditures for principal and interest.

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

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

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

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

## **CITY OF OREGON, OHIO**

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

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

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

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has three internal service funds, the Self Insurance Dental / Emergency Room Fund, the Workers' Compensation Fund and the Medical Spending Fund. These funds are used to account for monies received from city departments to cover the costs related to the self insurance program, potential liabilities for workers' compensation and for deposits from the employees into the medical cafeteria plan.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The City has no trust funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on a full accrual basis of accounting. The City has five agency funds. These funds are used to account for monies received by the City in situations where the City's role is purely custodial in nature. The five funds are the Unclaimed Monies Fund, which is used to account for unclaimed monies, the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Ohio Board of Building Standards Assessment Fund, which accounts for assessed funds as required by the Ohio Revised Code, the Income Tax Joint District Fund, which accounts for income tax funds to be distributed between the City of Oregon and the City of Northwood and the Lucas County Water Collection Fund, which accounts for a portion of the revenue from Lucas County users of the City of Oregon's water.

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

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

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

## **CITY OF OREGON, OHIO**

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

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

##### **C. Basis of Presentation – Financial Statements (Continued)**

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

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

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

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

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

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

## **CITY OF OREGON, OHIO**

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

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

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

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

Revenues resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

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

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Government-Wide Statements are also prepared using the accrual basis of accounting.

## **CITY OF OREGON, OHIO**

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

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

##### **E. Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability/asset: (1) net difference between projected and actual investment earnings on pension plan investments, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between the City's contributions and the City's proportionate share of contributions. The City's deferred outflows of resources related to pension are further discussed in Note 11.

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

The City also reports deferred inflows of resources for the differences between expected and actual experience related to the City's net pension liability/asset. This deferred inflows of resources are only reported on the government-wide statement of net position and in the proprietary funds financial statements. The deferred inflows of resources related to pension are further discussed in Note 11.



## **CITY OF OREGON, OHIO**

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

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

##### **F. Budgetary Process**

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council.

##### **1. Estimated Resources**

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

##### **2. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the legal level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. During 2017 several supplemental appropriations were necessary to budget the use of contingency funds, major capital improvement projects and intergovernmental grant proceeds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

## **CITY OF OREGON, OHIO**

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

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

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

##### **3. Encumbrances**

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

##### **4. Lapsing of Appropriations**

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

##### **5. Budgetary Basis of Accounting**

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

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## **CITY OF OREGON, OHIO**

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

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

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

##### 5. Budgetary Basis of Accounting (Continued)

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

	General Fund
GAAP Basis (as reported)	(\$6,960,674)
Increase (Decrease):	
Accrued Revenues at December 31, 2017 received during 2018	(1,824,337)
Accrued Revenues at December 31, 2016 received during 2017	1,939,934
Accrued Expenditures at December 31, 2017 paid during 2018	1,833,568
Accrued Expenditures at December 31, 2016 paid during 2017	(725,938)
2016 Adjustment to Fair Value	(483,573)
2017 Adjustment to Fair Value	620,179
2016 Prepaids for 2017	158,695
2017 Prepaids for 2018	(188,714)
Outstanding Encumbrances	(617,282)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	2,622
Budget Basis	(\$6,245,520)

##### **G. Cash and Cash Equivalents**

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

# CITY OF OREGON, OHIO

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

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

#### **G. Cash and Cash Equivalents** (Continued)

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments."

#### **H. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the Oregon Municipal Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2017. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2017.

#### **I. Inventory**

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

#### **J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# CITY OF OREGON, OHIO

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

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

#### **K. Capital Assets and Depreciation**

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

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

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

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

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

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

##### 3. Depreciation

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

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

**CITY OF OREGON, OHIO**

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

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

**L. Long-Term Obligations**

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

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

**M. Compensated Absences**

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

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

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

## **CITY OF OREGON, OHIO**

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

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

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

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

##### **N. Net Position**

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

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

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## **CITY OF OREGON, OHIO**

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

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

##### **O. Fund Balances**

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

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

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

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

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

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

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

##### **P. 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.



## **CITY OF OREGON, OHIO**

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

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

##### **Q. Interfund Activity**

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

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

##### **R. Estimates**

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

##### **S. Operating Revenues and Expenses**

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

##### **T. Contributions of Capital**

Contributions of capital in proprietary fund financial statements and for governmental activities arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements and on the statement of activities.

##### **U. 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 OREGON, OHIO**

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

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#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ACCOUNTING ERROR AND RESTATEMENT OF NET POSITION**

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 OREGON, OHIO**

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

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

The City incurred capital costs in the prior year that were incorrectly allocated to the participating funds. The funding for the projects was not split properly between the funds on a cash basis. To properly present the correct cash balance in all of the City’s funds, it is necessary to restate the beginning balance at January 1, 2017.

The correction of the accounting error had the following effect on net position as reported December 31, 2016:

	Governmental Activities	Business-type Activities	General Fund	Street Construction Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund
Net Position December 31, 2016	\$93,265,744	\$47,970,156	\$30,067,294	\$4,530,444	\$10,452,717	\$28,995,410	\$18,761,754
Adjustments:							
Correction to expenditure posting	1,319,159	(1,319,159)	1,550,000	(540,867)	310,026	300,000	(1,619,159)
Restated Net Position December 31, 2016	<u>\$94,584,903</u>	<u>\$46,650,997</u>	<u>\$31,617,294</u>	<u>\$3,989,577</u>	<u>\$10,762,743</u>	<u>\$29,295,410</u>	<u>\$17,142,595</u>

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficit** - The fund deficit at December 31, 2017 of \$585,209 in the Cedar Point TIF Fund (special revenue fund) arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis and from the posting of an interfund loan payable on the modified accrual basis. The deficit does not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

**CITY OF OREGON, OHIO**

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

**NOTE 4 – FUND BALANCE CLASSIFICATION**

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

Fund Balances	General Fund	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Principal	\$0	\$0	\$75,317	\$75,317
Prepaid Items	188,714	0	13,974	202,688
Supplies Inventory	552,930	0	0	552,930
Total Nonspendable	<u>741,644</u>	<u>0</u>	<u>89,291</u>	<u>830,935</u>
Restricted:				
Special Assessment Debt Service Payments	0	0	380,880	380,880
Street Construction and Maintenance	0	0	807,164	807,164
State Highway Improvement	0	0	91,273	91,273
Permissive Auto Tax	0	0	87,263	87,263
Drug Law Enforcement and Education	0	0	10,051	10,051
Police Grants	0	0	24,404	24,404
Police Levy	0	0	179,960	179,960
Drug Law Enforcement	0	0	38,384	38,384
DUI and Seatbelt Grant	0	0	19,315	19,315
Fire Operation	0	0	878,493	878,493
Federal Equity Sharing	0	0	83,652	83,652
EMS Operating	0	0	68,811	68,811
Indigent Drivers Alcohol Treatment	0	0	56,382	56,382
City Recreation	0	0	191,184	191,184
Legal Computer Research	0	0	224,995	224,995
Court Special Projects	0	0	293,811	293,811
Probation Services	0	0	89,497	89,497
IDIAMF	0	0	35,831	35,831
Housing Assistance	0	0	16,428	16,428
Local Law Enforcement Block Grant	0	0	191	191
Cedar Point Development	0	0	192,472	192,472
Revolving Loan	0	0	115,362	115,362
FEMA	0	0	5	5
Solid Waste	0	0	1,676,498	1,676,498
Storm Sewer Projects	0	0	1,458,532	1,458,532
Street Lighting	0	0	508,776	508,776
Sewer Maintenance	0	0	149,287	149,287
Street Construction	0	3,485,686	0	3,485,686
Street, Recreation and Building	0	0	645,874	645,874
General Bond Retirement	0	0	38,064	38,064
Total Restricted	<u>0</u>	<u>3,485,686</u>	<u>8,362,839</u>	<u>11,848,525</u>

**CITY OF OREGON, OHIO**

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

**NOTE 4 – FUND BALANCE CLASSIFICATION (Continued)**

<u>Fund Balances</u>	<u>General Fund</u>	<u>Street Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed:				
Payroll Stabilization	785,902	0	0	785,902
Fire Operation	0	0	33,169	33,169
City Recreation	0	0	384,950	384,950
50th Anniversary	0	0	3,601	3,601
Hazardous Waste	0	0	379,070	379,070
Fire Pumper	0	0	28,314	28,314
Parkland Acquisition	0	0	190,126	190,126
Storm Sewer Construction	0	0	3,800,874	3,800,874
Total Committed	<u>785,902</u>	<u>0</u>	<u>4,820,104</u>	<u>5,606,006</u>
Assigned:				
Fiscal Year 2018 Appropriations	3,857,445	0	0	3,857,445
Purchase Orders	398,012	0	0	398,012
Total Assigned	<u>4,255,457</u>	<u>0</u>	<u>0</u>	<u>4,255,457</u>
Unassigned (deficit)	18,884,953	0	(585,209)	18,299,744
Total Fund Balances	<u>\$24,667,956</u>	<u>\$3,485,686</u>	<u>\$12,687,025</u>	<u>\$40,840,667</u>

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## **CITY OF OREGON, OHIO**

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

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

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

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

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

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

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

## CITY OF OREGON, OHIO

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

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

##### **A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks.

Ohio law requires that deposits be either insured or be 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.

At year end the carrying amount of the City's deposits was \$11,956,704 and the bank balance was \$13,607,541. Federal depository insurance covered \$500,000 of the bank balance and \$13,107,541 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.

Investment earnings of \$245,486 earned by other funds were credited to the General Fund as required by local statute.

##### **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
FHLB	\$9,418,600	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	\$0	\$1,979,160	\$7,439,440
FHLMC	9,098,389	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	999,140	0	8,099,249
FNMA	5,451,955	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	1,995,700	1,487,335	1,968,920
FFCB	6,867,515	AA+ <sup>1</sup> / Aaa <sup>2</sup>	Level 2	0	0	6,867,515
Negotiable CD's	10,095,833	AA+ <sup>1</sup>	Level 1	1,000,674	6,804,987	2,290,172
STAR Ohio	2,609,010	AAA <sup>1</sup>	N/A	2,609,010	0	0
Total Investments	<u>\$43,541,302</u>			<u>\$6,604,524</u>	<u>\$10,271,482</u>	<u>\$26,665,296</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

**CITY OF OREGON, OHIO**

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

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

**B. Investments** (Continued)

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

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

*Custodial Credit Risk* – The City’s investments in FHLB, FHLMC, FNMA and FFCB securities in the amounts of \$9,418,600, \$9,098,389, \$5,451,955 and \$6,867,515, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 22% are FHLB, 21% are FHLMC, 13% are FNMA, 16% are FFCB, 6% is Star Ohio and 22% are negotiable CD’s.

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

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$11,565,714	\$43,932,292
Certificates of Deposit (with maturities of more than 3 months)	3,000,000	(3,000,000)
Investments:		
STAR Ohio	(2,609,010)	2,609,010
Per Footnote	\$11,956,704	\$43,541,302

**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 revalued every six years. The last revaluation was completed in 2012 and the equalization adjustment was completed in 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 31; the remainder is payable by July 31.



## **CITY OF OREGON, OHIO**

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

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#### **NOTE 6 - TAXES (Continued)**

##### **A. Property Taxes (Continued)**

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

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

The full property tax rate for all City operations for the year ended December 31, 2017 was \$2.50 per \$1,000 of assessed value. The assessed value upon which the 2017 tax receipts were based was \$461,649,550. This amount constitutes \$414,444,330 in real property assessed value and \$47,205,220 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.250% (2.50 mills) of assessed value.

##### **B. Income Tax**

The City levies a tax of 2.25% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**CITY OF OREGON, OHIO**

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

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**NOTE 7 – TAX ABATEMENT DISCLOSURES**

**Real Estate Tax Abatements**

As of December 31, 2017, the City of Oregon provides tax incentives under three programs: Tax Increment Financing (TIF), Enterprise Zone (EZ), and Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area titled the Cedar Point Development Park Reinvestment Area. In general, this Community Reinvestment Area includes properties rezoned as C-I Commercial/Industrial bounded by Cedar Point Road, Lallendorf Road, Wynn Road and Corduroy Road, and A-1 Agricultural properties segregated in the Lallendorf Road and Corduroy Road corner, and on Seaman Road along the Southern border of the district, within the City of Oregon. The City of Oregon authorizes incentives through the passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient’s property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand businesses located in the City, and retain or create new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from commercial and industrial improvements consistent with the applicable zoning regulations.

The City of Oregon also contracts with the Oregon City School District for payments in lieu of taxes when required by Section 5709.82 of the Ohio Revised Code.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2017.

Property Tax Abatement	Total Amount of Taxes Abated (Incentives Abated For the Year 2017 In Actual Dollars)
<i>Oregon Holdings One LLC (2015 - 2025) (CRA)</i> - Gross Dollar amount of taxes abated during 2017	\$40,859
<i>Enviroservices of Ohio Inc. (2013 - 2023) (CRA)</i> - Gross Dollar amount of taxes abated during 2017	127,103
<i>BP-Husky Refining LLC A DE LLC (2008 - 2021) (Enterprise Zone)</i> - Gross Dollar amount of taxes abated during 2017	128,005
<i>BP-Husky Refining LLC A DE LLC (2011 - 2041) (TIF)</i> - Gross Dollar amount of taxes abated during 2017	49,289
<i>BP-Husky Refining LLC (2011 - 2041) (TIF)</i> - Gross Dollar amount of taxes abated during 2017	51,335
<i>Menard Inc. (2008 - 2038) (TIF)</i> - Gross Dollar amount of taxes abated during 2017	223,727
<i>Oregon Holdings Five LLC (2009 - 2039) (TIF)</i> - Gross Dollar amount of taxes abated during 2017	83,126
	\$703,444

**CITY OF OREGON, OHIO**

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

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**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2017 consisted of taxes, interest, loans, accounts receivable, special assessments and intergovernmental receivables.

**NOTE 9 - TRANSFERS**

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

Transfers In:					
Transfers Out:	General Fund	Other Governmental Funds	Water Fund	Sewer Fund	Total
General Fund	\$0	\$4,525,508	\$2,200,000	\$1,257,166	\$7,982,674
Street Construction	0	20,046	0	0	20,046
Other Governmental Funds	75,227	1,466,554	0	0	1,541,781
Sewer Fund	0	160,100	0	0	160,100
	\$75,227	\$6,172,208	\$2,200,000	\$1,257,166	\$9,704,601

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

Transfers of \$6,407,535 were eliminated on the entity-wide statement of activities since they were within the governmental and business-type activities.

**CITY OF OREGON, OHIO**

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

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets for the year ended December 31, 2017 was as follows:

*Historical Cost:*

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$4,653,808	\$0	\$0	\$4,653,808
Construction in Progress	11,940,754	5,481,864	(26,561)	17,396,057
Subtotal	16,594,562	5,481,864	(26,561)	22,049,865
<i>Capital assets being depreciated:</i>				
Land Improvements	8,720,271	55,228	0	8,775,499
Buildings and Improvements	9,502,386	292,009	0	9,794,395
Machinery and Equipment	5,265,964	345,796	(109,878)	5,501,882
Vehicles	9,704,937	755,652	(518,052)	9,942,537
Infrastructure	68,022,998	708,640	(757,177)	67,974,461
Subtotal	101,216,556	2,157,325	(1,385,107)	101,988,774
Total Cost	\$117,811,118	\$7,639,189	(\$1,411,668)	\$124,038,639

*Accumulated Depreciation:*

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Land Improvements	(\$2,483,831)	(\$256,034)	\$0	(\$2,739,865)
Buildings and Improvements	(6,082,980)	(224,383)	0	(6,307,363)
Machinery and Equipment	(3,367,645)	(346,281)	109,323	(3,604,603)
Vehicles	(6,112,900)	(814,748)	502,102	(6,425,546)
Infrastructure	(28,827,263)	(1,463,017)	729,558	(29,560,722)
Total Depreciation	(\$46,874,619)	(\$3,104,463) *	\$1,340,983	(\$48,638,099)
Capital assets being depreciated, net:	54,341,937	(947,138)	(44,124)	53,350,675
<i>Net Value:</i>	\$70,936,499			\$75,400,540

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

Security of Persons and Property	\$594,876
Public Health and Welfare Services	52,758
Leisure Time Activities	147,629
Community Environment	27,861
Transportation	2,098,886
General Government	182,453
Total Depreciation Expense	\$3,104,463

**CITY OF OREGON, OHIO**

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

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

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

Summary by category of changes in business-type activities for the year ended December 31, 2017 was as follows:

*Historical Cost:*

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$756,016	\$0	\$0	\$756,016
Construction in Progress	26,967,360	17,086,901	(8,860)	44,045,401
Subtotal	27,723,376	17,086,901	(8,860)	44,801,417
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	93,401,444	220,390	(10,777)	93,611,057
Machinery and Equipment	15,667,822	109,213	(11,660)	15,765,375
Vehicles	969,750	210,110	(28,947)	1,150,913
Subtotal	110,039,016	539,713	(51,384)	110,527,345
Total Cost	\$137,762,392	\$17,626,614	(\$60,244)	\$155,328,762

*Accumulated Depreciation:*

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings and Distributions	(\$65,024,440)	(\$2,394,494)	\$10,777	(\$67,408,157)
Machinery and Equipment	(5,460,525)	(128,595)	10,021	(5,579,099)
Vehicles	(790,518)	(47,218)	28,947	(808,789)
Total Depreciation	(\$71,275,483)	(\$2,570,307)	\$49,745	(\$73,796,045)
Capital assets being depreciated, net:	38,763,533	(2,030,594)	(1,639)	36,731,300
<i>Net Value:</i>	\$66,486,909			\$81,532,717

## **CITY OF OREGON, OHIO**

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

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#### **NOTE 11 – DEFINED BENEFIT PENSION PLANS**

##### ***Net Pension Liability***

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

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

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

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

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

##### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

# CITY OF OREGON, OHIO

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

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

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

**CITY OF OREGON, OHIO**

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

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

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

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

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

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

	<u>State and Local</u>
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>13.0 %</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 \$1,156,804 for 2017.



## **CITY OF OREGON, OHIO**

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

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

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

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

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

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

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

	Police	Firefighters
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %
<b>2017 Actual Contribution Rates</b>		
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 \$1,006,498 for 2017.

***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	OP&F	Total
Proportionate Share of the Net Pension Liability	\$15,201,775	\$13,982,761	\$29,184,536
Proportion of the Net Pension Liability-2017	0.066944%	0.220761%	
Proportion of the Net Pension Liability-2016	0.064599%	0.215371%	
Percentage Change	0.002345%	0.005389%	
Pension Expense	\$3,325,378	\$1,776,059	\$5,101,437

**CITY OF OREGON, OHIO**

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

**NOTE 11 – DEFINED BENEFIT PENSION PLANS (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>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$2,263,896	\$1,359,761	\$3,623,657
Changes in assumptions	2,411,188	0	2,411,188
Differences between expected and actual experience	20,604	3,955	24,559
Change in proportionate share	199,156	246,750	445,906
City contributions subsequent to the measurement date	1,156,804	1,006,498	2,163,302
Total Deferred Outflows of Resources	<u>\$6,051,648</u>	<u>\$2,616,964</u>	<u>\$8,668,612</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$90,472	\$32,193	\$122,665
Change in proportionate share	0	3,251	3,251
Total Deferred Inflows of Resources	<u>\$90,472</u>	<u>\$35,444</u>	<u>\$125,916</u>

\$2,163,302 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>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2018	\$1,995,056	\$563,753	\$2,558,809
2019	2,062,733	563,753	2,626,486
2020	812,941	440,529	1,253,470
2021	(66,358)	(44,926)	(111,284)
2022	0	47,060	47,060
2023	0	4,853	4,853
Total	<u>\$4,804,372</u>	<u>\$1,575,022</u>	<u>\$6,379,394</u>

**Actuarial Assumptions - OPERS**

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

## *CITY OF OREGON, OHIO*

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

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

In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation at 3.25 percent
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 OREGON, OHIO**

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

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
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	<u>18.00</u>	4.92
Total	<u>100.00 %</u>	

**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:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$23,224,108	\$15,201,775	\$8,516,578

## **CITY OF OREGON, OHIO**

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

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

##### ***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 OREGON, OHIO

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

#### NOTE 11 – DEFINED BENEFIT PENSION PLANS (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	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

\* levered 2x

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

**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.

**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.

**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.

## **CITY OF OREGON, OHIO**

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

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

	1% Decrease <u>(7.25%)</u>	Current Discount Rate <u>(8.25%)</u>	1% Increase <u>(9.25%)</u>
City's proportionate share of the net pension liability	\$18,623,380	\$13,982,761	\$10,049,772

#### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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 OREGON, OHIO**

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

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#### **NOTE 12 - 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 \$82,629, \$174,086 and \$185,351, 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](http://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 OREGON, OHIO**

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

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**NOTE 12 - 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 ended December 31, 2017, 2016, and 2015 were \$18,756, \$20,341 and \$15,944 for police and \$5,729, \$5,007 and \$4,875 for firefighters, respectively, which were equal to the required contributions for each year.

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**CITY OF OREGON, OHIO**

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

**NOTE 13 - COMPENSATED ABSENCES**

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

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

At December 31, 2017, the City's accumulated, unpaid compensated absences amounted to \$4,129,725, of which \$3,177,761 is recorded as a liability of the Governmental Activities and \$951,964 is recorded as a liability of the Business-Type Activities.

**NOTE 14 - LONG-TERM LIABILITIES**

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

Date Purchased	Maturity Date	Balance December 31, 2016	Issued	(Retired)	Balance December 31, 2017	Amount Due Within One Year	
<b>Governmental Activities Long-Term Liabilities:</b>							
General Obligation Bonds:							
2012	2.00%    Wheeling Street Improvement	2030	\$3,165,000	\$0	(\$235,000)	\$2,930,000	\$200,000
	Premium		76,677	0	(4,792)	71,885	0
2012	2.00%    Big Ditch/Stadium	2032	2,510,000	0	(140,000)	2,370,000	135,000
	Premium		47,793	0	(2,986)	44,807	0
	Total General Obligation Bonds		5,799,470	0	(382,778)	5,416,692	335,000
Special Assessment Bond Payable							
with Governmental Commitment:							
1997	5.25%    York Street Waterline	2017	26,000	0	(26,000)	0	0

(Continued)

**CITY OF OREGON, OHIO**

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

**NOTE 14 - LONG-TERM LIABILITIES (Continued)**

Date Purchased		Maturity Date	Balance December 31, 2016	Issued	(Retired)	Balance December 31, 2017	Amount Due Within One Year	
<b>Governmental Activities Long-Term Liabilities:</b>								
Ohio Public Works Commission Loan:								
2011	0.00%	Big Ditch Improvement	2031	\$347,130	\$0	(\$23,940)	\$323,190	\$23,940
2013	0.00%	Oregon Flood Relief	2034	612,548	0	(35,002)	577,546	35,002
2015	0.00%	Resurfacing Project	2025	72,219	0	(8,024)	64,195	8,024
		Total Ohio Public Works Commission Loans		<u>1,031,897</u>	<u>0</u>	<u>(66,966)</u>	<u>964,931</u>	<u>66,966</u>
Long-Term Loan Payable:								
2015	0.39%	Toledo Lucas County Port Authority	2028	1,554,912	0	(104,597)	1,450,315	106,085
		Compensated Absences		3,129,352	3,177,761	(3,129,352)	3,177,761	1,113,381
		Workers Compensation Liability		0	15,626	0	15,626	0
		Police and Firemen's Pension Accrued Liability		42,198	0	(1,545)	40,653	1,710
		Net Pension Liability		<u>21,521,570</u>	<u>2,827,315</u>	<u>0</u>	<u>24,348,885</u>	<u>0</u>
		Total Governmental Activities Long-Term Liabilities		<u>\$33,105,399</u>	<u>\$6,020,702</u>	<u>(\$3,711,238)</u>	<u>\$35,414,863</u>	<u>\$1,623,142</u>

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# CITY OF OREGON, OHIO

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

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

Date Purchased	Maturity Date		Balance December 31, 2016	Issued	(Retired)	Balance December 31, 2017	Amount Due Within One Year
<b>Business-Type Long-Term Liabilities:</b>							
General Obligation Bonds:							
2012	2.00%	Sewer Improvement	\$380,000	\$0	(\$190,000)	\$190,000	\$190,000
		Premium	18,574	0	(18,574)	0	0
		Total General Obligation Bonds	<u>398,574</u>	<u>0</u>	<u>(208,574)</u>	<u>190,000</u>	<u>190,000</u>
Ohio Public Works Commission Loans:							
2002	0.00%	Zebra Mussel Control - Raw Water Intake	77,338	0	(15,470)	61,868	15,470
2003	0.00%	Water Plant Renovations - Phase I	119,208	0	(19,867)	99,341	19,867
	0.00%	Water Treatment Plant Improvements - Phase II	130,703	0	(20,108)	110,595	20,108
	0.00%	Water Treatment Plant Improvements - Phase III	175,000	0	(25,000)	150,000	25,000
	0.00%	Water Treatment Plant Improvements - Phase IV	245,600	0	(30,700)	214,900	30,700
	0.00%	Water Treatment Plant Improvements - Phase V	37,801	0	(4,201)	33,600	4,201
2007	0.00%	South Shore Park Waterline - Phase II	33,593	0	(3,200)	30,393	3,200
2009	0.00%	Elevated Storage Tank	326,250	0	(22,500)	303,750	22,500
2011	0.00%	Sanitary Sewer Rehabilitation	140,000	0	(10,000)	130,000	10,000
2012	0.00%	Sanitary Sewer Rehabilitation	371,250	0	(22,500)	348,750	22,500
2007	0.00%	Eastwyck Sanitary Pump Station	91,858	0	(9,670)	82,188	9,670
2014	0.00%	Wastewater Treatment Plant Phase I	450,456	0	(24,349)	426,107	24,350
2016	0.00%	Wastewater Treatment Plant Phase III	32,801	0	(1,682)	31,119	1,682
2016	0.00%	Wastewater Secondary Treatment Plant	497,189	302,811	(20,000)	780,000	0
		Total Ohio Public Works Commission Loans	<u>2,729,047</u>	<u>302,811</u>	<u>(229,247)</u>	<u>2,802,611</u>	<u>209,248</u>
Ohio Water Development Authority Loans:							
2002	3.80%	Seaman Road Trunk Sewer - Phase I	498,446	0	(92,329)	406,117	95,870
2004	3.95%	Seaman Road Trunk Sewer - Phase II	953,765	0	(131,423)	822,342	136,666
2005	3.50%	Stadium Road Sewer	1,415,332	0	(168,120)	1,247,212	174,056
2006	3.35%	Pickle Road Sewer	1,251,778	0	(129,593)	1,122,185	133,971
2002	4.28%	Waterplant Renovation - Phase I & II	3,319,125	0	(608,824)	2,710,301	635,160
2004	3.65%	Waterplant Renovation - Phase III	880,053	0	(112,499)	767,554	116,643
2011	3.52%	Elevated Storage Tank	3,197,400	0	(188,696)	3,008,704	195,397
2013	2.64%	Phase II Sanitary Sewer Rehab	1,272,561	0	(64,857)	1,207,704	66,581
2007	3.25%	Coy Road Sewer	303,028	0	(26,099)	276,929	26,954
2015	3.37%	WWTP Secondary Improvements Phase I	5,754,498	899	(246,049)	5,509,348	246,049
2016	1.99%	WWTP Secondary Improvements Phase III	1,537,755	0	(76,419)	1,461,336	76,419
2016	1.58%	WWTP Secondary Improvements Phase II	425,811	691,047	(62,675)	1,054,183	63,670
2016	0.19%	WWTP Secondary Improvements Phase II	3,074,455	3,637,430	0	6,711,885	171,658
2017	2.28%	WWTP Sludge Dewatering	0	687,404	0	687,404	0
2017	2.13%	Sanitary Sewer Rehabilitation 4B	0	172,430	0	172,430	0
2017	1.88%	Southwest Water Distribution Improvement	0	59,970	0	59,970	0
2017	0.00%	Water Treatment Plant Infrastructure	0	11,792,164	0	11,792,164	384,068
		Total Ohio Water Development Authority Loans	<u>23,884,007</u>	<u>17,041,344</u>	<u>(1,907,583)</u>	<u>39,017,768</u>	<u>2,523,162</u>
		Compensated Absences	899,838	951,964	(899,838)	951,964	299,044
		Net Pension Liability	3,522,721	1,312,930	0	4,835,651	0
		Total Business-Type Activities Long-Term Liabilities	<u>\$31,434,187</u>	<u>\$19,609,049</u>	<u>(\$3,245,242)</u>	<u>\$47,797,994</u>	<u>\$3,221,454</u>

**CITY OF OREGON, OHIO**

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

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**NOTE 14 - LONG-TERM LIABILITIES (Continued)**

**A. Police and Firemen's Pension Fund**

The City's liability for past service costs relating to the Police and Firemen's Pension Fund at December 31, 2017 was \$40,653 in principal and \$17,339 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt. This is paid out of the General Fund.

**B. Principal and Interest Requirements**

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

<u>Years</u>	<u>Governmental Activities</u>	
	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$335,000	\$122,738
2019	325,000	112,688
2020	330,000	106,188
2021	340,000	99,588
2022	345,000	92,788
2023-2027	1,940,000	351,606
2028-2032	1,685,000	167,518
Totals	<u>\$5,300,000</u>	<u>\$1,053,114</u>

**CITY OF OREGON, OHIO**

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

**NOTE 14 - LONG-TERM LIABILITIES (Continued)**

**B. Principal and Interest Requirements (Continued)**

Years	<b>Governmental Activities</b>					
	OPWC Loans		Police/Firemen's Pension Accrued Liability		Long-Term Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$66,966	\$0	\$1,710	\$1,711	\$106,085	\$56,916
2019	66,966	0	1,681	1,642	112,258	52,680
2020	66,966	0	1,753	1,569	116,660	48,276
2021	66,966	0	1,828	1,494	121,236	43,700
2022	66,966	0	1,907	1,416	125,992	38,944
2023-2027	318,785	0	10,835	5,776	708,090	116,594
2028-2032	258,800	0	13,350	3,240	159,994	6,226
2033-2035	52,516	0	7,589	491	0	0
Totals	<u>\$964,931</u>	<u>\$0</u>	<u>\$40,653</u>	<u>\$17,339</u>	<u>\$1,450,315</u>	<u>\$363,336</u>

Years	<b>Business-Type Activities</b>					
	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$190,000	\$5,700	\$2,523,162	\$633,357	\$209,248	\$0
2019	0	0	1,984,395	562,036	209,246	0
2020	0	0	2,058,439	487,993	209,246	0
2021	0	0	2,135,305	456,912	214,083	0
2022	0	0	1,991,773	337,118	214,083	0
2023-2027	0	0	4,692,856	1,133,082	904,927	0
2028-2032	0	0	3,717,018	472,179	60,600	0
2033-2035	0	0	56,180	47,558	1,178	0
Totals	<u>\$190,000</u>	<u>\$5,700</u>	<u>\$19,159,128</u>	<u>\$4,130,235</u>	<u>\$2,022,611</u>	<u>\$0</u>

OWDA loans of \$1,054,183, \$6,711,885, \$687,404, \$172,430, \$59,970 and \$11,792,164, less amounts due within one year, as well as an OPWC loan in the amount of \$780,000 are not included in the above maturity tables. The construction has started, but the loan is not payable until the construction is completed. At that time, loan payments will be determined.

**CITY OF OREGON, OHIO**

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

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**NOTE 15 - CONSTRUCTION COMMITMENTS**

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

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Sanitary Sewer Rehab - Ph 4B	\$1,843,206	6/1/2018
Navarre Ave Safety Improvements	903,732	6/1/2018
Municipal Complex - Geothermal	34,194	6/1/2018
WTP (HAB) Improvement (Ozone)	1,316,808	6/1/2018
WWTP Sludge Dewatering Facility	1,671,221	12/31/2018
Pickle Road Storm Relief Ditch	1,976,982	12/31/2018
Old Millard Avenue Bridge Replacement Project	806,350	12/31/2019
Navarre Ave Waterline Replacement - Ph 1	3,089,265	12/31/2019
Southwest Water Distribution Improvements	1,474,497	12/31/2018
Starr Avenue Improvements	822,000	12/31/2018
York Street Trunk Waterline	2,200,000	12/31/2019
WWTP UV Disinfection Facility	3,200,000	12/31/2021
Total	<u><u>\$19,338,255</u></u>	



**CITY OF OREGON, OHIO**

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

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**NOTE 16 - INSURANCE AND RISK MANAGEMENT**

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

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**A. Self Insurance Fund**

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2015	\$600	\$29,725	(\$29,525)	\$800
2016	800	27,319	(28,119)	0
2017	0	28,956	(28,856)	100

**CITY OF OREGON, OHIO**

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

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**NOTE 16 - INSURANCE AND RISK MANAGEMENT (Continued)**

**B. Workers' Compensation Internal Service Fund**

The City is a participating member with the Ohio Municipal League Retrospective Rating Program. Retrospective (Retro) Rating is best described as a quasi self-insured program, which shifts a selected level of risk to the employer in return for a reduction in premium. Under the Retro plan employers are responsible for actual claims cost on all claims occurring within the program period. Retro claims have a ten-year life commencing with the date of injury. Claims cost for Retro claims incurred beyond ten years from the date of injury will be assumed by the Bureau. The City has a claims limit of \$200,000 per claim with a billable ceiling of 200% of the premium for 2017. Changes in the Workers' Compensation Internal Service Fund's claims liability for the past three years were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2015	\$72,718	(\$58,305)	(\$14,413)	\$0
2016	0	41,457	(41,457)	0
2017	0	47,612	(31,986)	15,626

**NOTE 17 - CONTINGENCIES**

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

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

**NOTE 18 - CONDUIT DEBT OBLIGATION**

The City issued mortgage revenue bonds to provide financial assistance to The Alcore Oregon LLC in order to promote and advance the development of residential rental housing in the City of Oregon. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2017, the mortgage revenue bonds had an outstanding balance payable of \$6,100,000.

*REQUIRED SUPPLEMENTAL INFORMATION*

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**CITY OF OREGON, 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	0.067134%	0.067134%	0.064599%	0.066944%
City's proportionate share of the net pension liability	\$7,914,224	\$8,097,111	\$11,189,300	\$15,201,775
City's covered-employee payroll	\$8,723,669	\$8,348,383	\$9,550,175	\$8,704,300
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	90.72%	96.99%	117.16%	174.65%
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	0.2153935%	0.2153935%	0.215371%	0.220761%
City's proportionate share of the net pension liability	\$10,490,339	\$11,158,281	\$13,854,991	\$13,982,761
City's covered-employee payroll	\$5,081,440	\$4,431,090	\$4,156,127	\$5,013,216
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.44%	251.82%	333.36%	278.92%
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.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

**CITY OF OREGON, OHIO**

***Schedule of City Contributions  
Last Five Years***

**Ohio Public Employees Retirement System**

Year	2013	2014	2015	2016	2017
Contractually required contribution	\$1,134,077	\$1,001,806	\$1,146,021	\$1,044,516	\$1,156,804
Contributions in relation to the contractually required contribution	<u>1,134,077</u>	<u>1,001,806</u>	<u>1,146,021</u>	<u>1,044,516</u>	<u>1,156,804</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$8,723,669	\$8,348,383	\$9,550,175	\$8,704,300	\$9,640,033
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	12.00%

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

**Ohio Police and Fire Pension Fund**

Year	2013	2014	2015	2016	2017
Contractually required contribution	\$867,910	\$902,170	\$834,966	\$1,007,155	\$1,006,498
Contributions in relation to the contractually required contribution	<u>867,910</u>	<u>902,170</u>	<u>834,966</u>	<u>1,007,155</u>	<u>1,006,498</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,081,440	\$4,431,090	\$4,156,127	\$5,013,216	\$5,009,945
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%	20.09%	20.09%

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

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

## **CITY OF OREGON, OHIO**

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

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#### **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**

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.

# REVISED

City of Oregon, Ohio



Year Ended  
December 31, 2017

Single Audit Act  
Compliance

# CITY OF OREGON, OHIO

## Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditors' Report on Compliance for Each Major Federal Program and Internal Control over Compliance Required by the Uniform Guidance	7
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	14
Corrective Action Plan	15





**Independent Auditors' Report on the Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

June 25, 2019

Honorable Mayor and  
Members of the City Council  
City of Oregon, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Oregon, 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. We issued our report thereon dated June 28, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CITY OF OREGON, OHIO

**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
CDBG Revolving Loan Fund Beginning Balance	14.228	ODD	N/A	\$ 106,353
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program:				
FY15 Grant Year	16.607	Direct	N/A	682
FY16 Grant Year	16.607	Direct	N/A	2,853
				<u>3,535</u>
<b>U.S. Department of Transportation, Federal Highway Administration</b>				
Highway Planning and Construction Cluster:				
Navarre Avenue Safety Project	20.205	ODOT	96295	1,804,943
Wheeling Street Bridge Resurfacing	20.205	ODOT	98991	400,000
Oregon Bike Preserve	20.205	ODOT	104194	178,608
Total Highway Planning and Construction Cluster				<u>2,383,551</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated:				
2018 Impaired Driving Enforcement Program	20.608	ODPS	IDEP-2018-Oregon Police Division-00061	6,181
Highway Safety Cluster:				
State and Community Highway Safety Program:				
2017 Selective Traffic Enforcement Program	20.600	ODPS	STEP-2017-48-00-00-00532-00	12,042
2018 Selective Traffic Enforcement Program	20.600	ODPS	STEP-2018-Oregon Police Division-00061	3,359
				<u>15,401</u>
National Priority Safety Program:				
2017 Impaired Driving Enforcement Program	20.616	ODPS	IDEP-2017-48-00-00-00430-00	7,849
Total Highway Safety Cluster				<u>23,250</u>
<b>Total U.S. Department of Transportation</b>				<u>2,412,982</u>
<b>U.S. Environmental Protection Agency</b>				
Capitalization Grants for Drinking Water				
State Revolving Funds	66.468	OEPA	FS-390721-0018	11,792,164
<b>Total Expenditures of Federal Awards</b>				<u>\$ 14,315,034</u>

See notes to schedule of expenditures of federal awards.

# CITY OF OREGON, OHIO

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Oregon, Ohio (the "City") under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the City has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. In accordance with Uniform Guidance, the Schedule presents the outstanding balance on loan as of the beginning of the fiscal year. As of December 31, 2017, the outstanding loan balances were \$91,485. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

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

### 4. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
ODD	Ohio Department of Development
ODOT	Ohio Department of Transportation
ODPS	Ohio Department of Public Safety
OEPA	Ohio Environment Protection Agency

# CITY OF OREGON, OHIO

## ■ Notes to Schedule of Expenditures of Federal Awards

### 5. REVISED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City previously submitted its single audit for the year ended December 31, 2017 to the Federal Audit Clearinghouse on June 28, 2018. Subsequent to that date, it was determined that the City omitted the following federal expenditures from the Schedule:

- \$11,792,164 in the Capitalization in Grants for Drinking Water State Revolving Funds (CFDA #66,468) from the U.S. Environmental Protection Agency (passed through the Ohio Environment Protection Agency)

Accordingly, the Schedule has been revised and reissued, and any required testing of the restated major program amount has been performed.

■ ■ ■ ■ ■

**Independent Auditors' 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***

June 28, 2018

Honorable Mayor and  
Members of the City Council  
City of Oregon, 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 Oregon, 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 June 28, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 to be material weaknesses.

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.

## 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*.

## City of Oregon, Ohio's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.

*Rehmann Lobson LLC*

**Independent Auditors' Report on Compliance for Each Major Federal Program  
and Internal Control over Compliance Required by the Uniform Guidance**

June 25, 2019

Honorable Mayor and  
Members of the City Council  
City of Oregon, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Oregon, Ohio (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2017. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Independent Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003, that we consider to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### *Report Revision and Reissuance*

Subsequent to the original issuance of the 2017 report on Single Audit Act Compliance, it was determined that federal expenditures were omitted from the schedule of expenditures of federal awards and then that a portion of these funds should be classified and tested as a major federal program. Accordingly, after completing the appropriate audit procedures, the 2017 report on Single Audit Act Compliance is herewith revised to include the federal expenditures on the schedule of expenditures of federal awards (SEFA) and to reflect the audit of that program. The changes that have been made to this report, other than this paragraph and the date of this report, are the following:

- Add \$11,792,164 in the Capitalization Grants for Drinking Water State Revolving Funds (CFDA #66.468) to the SEFA.
- Add Note 5 to the notes to the SEFA.
- Add finding 2017-003 applicable to the omission of the federal expenditures.
- Modification to the paragraph above regarding the added finding.



*Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rehmann Lobarr LLC*

# CITY OF OREGON, OHIO

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2017

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?   yes  X  none reported

Noncompliance material to financial statements noted?   yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?   yes  X  none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   yes  X  no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
20.205	Highway Planning and Construction	Unmodified
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:  \$ 750,000

Auditee qualified as low-risk auditee?   yes  X  no

# CITY OF OREGON, OHIO

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2017

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2017-001 - Material Audit Adjustment/Restatement

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** During our audit, management noted the City posted a 2016 adjustment, after issuance of the 2016 audited financial statements, to transfer capital funding for a construction project from various funds to the Street Construction Fund. The adjustment was made in 2017 as a restatement to the 2016 cash balances (which was approved by management) to properly adjust the City's financial statements.

**Cause.** The City has projects involving both street construction for Cedar Point Road and sanitary sewer project for Wynn Road. The City bid the projects together with the Department of Public Services and properly split out the construction-in-process between the Street Construction Fund and Sewer Fund. However, all the funding for the two projects was mistakenly recorded through the Street Construction Fund, since the funding came together through the Department of Public Services.

**Effect.** As a result of this condition, the City's sewer fund was overstated by \$1,619,159, street construction fund was overstated by \$540,867, general fund was overstated by \$1,550,000, water fund was understated by \$300,000 and nonmajor governmental funds was understated by \$310,026. Additionally, governmental activities was understated and business-type activities was overstated by \$1,319,158.

**Recommendation.** Management has already taken appropriate corrective action by posting correcting journal entries as a post-2016 audit adjustment. We recommend that management review construction projects that are multi-faceted to ensure proper accounting between all the funds impacted.

**View of Responsible Officials.** Management agrees with this finding and has prepared a corrective action plan.

# CITY OF OREGON, OHIO

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2017

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2017-002 - GAAP Conversion

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** The City makes year end entries to convert financial records from cash basis to modified accrual basis to be in conformance with generally accepted accounting principles (GAAP). As part of the conversion, the City has to identify transactions at year end or subsequent to year that should be reflected on the statement of net position and/or balance sheet.

**Condition.** During our audit, we noted the City had not identified and recorded some items through the GAAP conversion. While the City identified current year capital asset additions to be properly recorded as capital assets, construction projects in progress were not identified and were expensed in 2017. The City picked up only projects that were completed in the current year as capital asset additions. Also, there were adjustments to record additional inventory, receivables and accounts payable.

**Cause.** The City's policy has been to only review and capitalize construction projects that are complete as capital asset additions. Other adjustments were a result of timing of the transaction or incorrect rates.

**Effect.** As a result of this condition, capital assets were understated and expenses overstated by approximately \$2,600,000 of which approximately \$1,400,000 and \$1,200,000 was for business-type activities and governmental activities, respectively. For the business-type activities approximately \$1,000,000 and \$400,000 related to the sewer and water funds, respectively. The governmental activities impacted several funds including the street construction and solid waste & CIP funds. The remaining adjustments resulted in an increase to net position of approximately \$792,000, of which \$273,000 and \$519,000 was for business-type activities and governmental activities, respectively.

**Recommendation.** The process of converting financial records from cash basis to modified accrual basis should include review of construction projects currently in process to properly add to capital assets not being depreciated and reduce corresponding expense. The capital projects should be tracked and reviewed with all other capital asset activity. Additionally, we recommend the City complete a thorough review of transaction before and after fiscal year end to ensure transactions are in the proper period.

**View of Responsible Officials.** Management agrees with this finding and has prepared a corrective action plan.

# CITY OF OREGON, OHIO

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2017

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2017-003 - Federal Expenditures Omitted from Schedule of Expenditures of Federal Awards

**Finding Type.** Material Weakness in Internal Control over Financial Compliance.

**Federal program:**

*Pass-through Ohio Environment Protection Agency*

- Capitalization Grants for Drinking Water State Revolving Funds (CFDA #66.468); U.S. Environmental Protection Agency

**Criteria.** The City is required to report all federal expenditures on the schedule of expenditures of federal awards (SEFA).

**Condition.** Subsequent to the original issuance of the fiscal year 2017 single audit report on June 28, 2018, the City was apprised by the pass-through entity that \$11,792,164 of federal expenditures in the Capitalization Grants for Drinking Water State Revolving Funds were not included on the SEFA.

**Cause.** The City failed to properly identify the funding source of the grant receipts. Correspondence received by the City from the Ohio Environment Protection Agency had not been provided to the Finance Department.

**Effect.** The City's SEFA in the originally issued 2017 report was materially misstated by \$11,792,164.

**Questioned Costs.** None.

**Recommendation.** We recommend that the City review the process for identifying federal awards to minimize the likelihood of errors in the reporting process.

**View of Responsible Officials.** Management agrees with this finding and has prepared a corrective action plan.



# CITY OF OREGON, OHIO

## ■ Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2017

### Finding 2016-001 - Material Audit Adjustment/Restatement

The audit identified the need for a material adjustment to correct an error to manuscript debt, which impacted the beginning net position of the governmental activities, business-type activities and water fund, as well as the beginning fund balance of the nonmajor governmental funds on the City's financial statements. This matter was resolved in 2017.

■ ■ ■ ■ ■



CITY OF OPPORTUNITY

# CITY OF OREGON OHIO

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FINANCE DEPARTMENT

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KATHLEEN HUFFORD  
Finance Director  
Phone (419) 698-7030  
Fax (419) 691-6303

Certain matters were brought to our attention as a result of the audit process. These are described at length in the Schedule of Findings and Questioned Costs. We evaluated each of these matters as described below, and have described our planned actions as a result.

## **2017-001 - Material Audit Adjustments/Restatement**

### **Planned Corrective Action.**

Management will review construction projects that are multi-faceted to ensure proper accounting between all the funds impacted.

**Responsible Party.** Kathleen Hufford, Finance Director

**Date of Planned Corrective Action.** 6/21/2018

**Management Assessment.** We concur with the audit assessment regarding this matter.

## **2017-002 - Capital Assets**

### **Planned Corrective Action.**

Management will review and update our current processes of review of construction projects currently in process to properly add to capital assets not being depreciated and reduce corresponding expense. This will include all transactions before and after fiscal year end to ensure transactions are recorded in the proper period.

**Responsible Party.** Kathleen Hufford, Finance Director

**Date of Planned Corrective Action.** 6/21/2018

**Management Assessment.** We concur with the audit assessment regarding this matter.





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## **2017-003 – Federal Expenditures Omitted from Schedule of Expenditures of Federal Awards**

### **Planned Corrective Action.**

Management will review the process for identifying federal awards to minimize the likelihood of errors in preparing the schedule of expenditures of federal awards. This will include inquiries with the Engineer's Office and Commissioner's Office.

**Responsible Party.** Kathleen Hufford, Finance Director

**Date of Planned Corrective Action.** 6/25/2019

**Management Assessment.** We concur with the audit assessment regarding this matter.





OHIO AUDITOR OF STATE  
**KEITH FABER**



**CITY OF OREGON**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 9, 2019**