



# City of Oakwood

Basic Financial Statements  
For the Year Ended  
December 31, 2017





# Dave Yost • Auditor of State

Members of Council  
City of Oakwood  
30 Park Avenue  
Oakwood, Ohio 45419

We have reviewed the *Independent Auditors' Report* of the City of Oakwood, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted this report 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 Oakwood is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

June 1, 2018

**This page intentionally left blank.**

# **City of Oakwood, Ohio**

Basic Financial Statements  
For the Year Ended December 31, 2017

with

Independent Auditor's Report

Prepared by:

Department of Finance

Cindy S. Stafford, CPA

Director of Finance

**This page intentionally left blank.**

# **CITY OF OAKWOOD, OHIO**

## **CITY OFFICIALS**

William D. Duncan, Mayor  
Steven Byington, Vice Mayor  
Robert Stephens  
Anne Hilton  
Christopher Epley

## **CITY MANAGER**

Norbert S. Klopsch

## **INDEPENDENT AUDITORS**

Plattenburg & Associates, Inc.  
Certified Public Accountants

## **DEPARTMENT OF FINANCE**

### Staff

Cindy S. Stafford, CPA	Finance Director
Alice K. Young	Assistant Finance Director
Linda M. Merker	Income Tax Administrator
Tracy L. Martin	Account Clerk II
Theresa L. Rushlow	Account Clerk II
Tracy L. Davidson	Account Clerk II - Income Tax
Stacy M. Vreeland-Mathes	Part-time Income Tax Clerk

**This page intentionally left blank.**



# CITY OF OAKWOOD, OHIO

## Table of Contents

	<u>Page</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 11
<b>Basic Financial Statements:</b>	
Statement of Net Position – December 31, 2017.....	13
Statement of Activities – For the Year Ended December 31, 2017.....	14
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds – December 31, 2017.....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – December 31, 2017.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Year Ended December 31, 2017.....	17
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 .....	18
Statement of Net Position – Proprietary Funds – December 31, 2017 .....	19
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – For the Year Ended December 31, 2017.....	20
Statement of Cash Flows – Proprietary Funds – For the Year Ended December 31, 2017 .....	21
Statement of Assets and Liabilities – Agency Funds – December 31, 2017 .....	22
Notes to the Basic Financial Statements.....	24 - 55
<b>Required Supplementary Information:</b>	
Schedule of The City's Proportionate Share of the Net Pension Liability – Last Four Fiscal Years.....	57
Schedule of The City's Contributions – Last Four Fiscal Years .....	58
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Budgetary (Non-GAAP) Basis – General Fund – For the Year Ended December 31, 2017 .....	59
Notes to the Required Supplementary Information.....	60 - 62



**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and the City Council  
City of Oakwood  
Montgomery County  
30 Park Avenue  
Oakwood, Ohio 45419

**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 Oakwood (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Dayton, Ohio

May 22, 2018

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2017

Our discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017.

**Financial Highlights**

- Net position increased by \$253,168 or 0.60% and unrestricted net position decreased \$582,831 or 18.38%.
- Total revenues increased \$1,435,961 or 9.21% and total expenses increased \$1,199,929 or 7.71%.
- Income taxes increased \$61,781 or 0.85%.
- Total fund balances of governmental activities increased by \$934,985 or 8.07%.
- Governmental fund revenues increased \$735,038 or 5.45% and governmental fund expenditures increased \$1,192,549 or 9.85%.
- The net position of the City's business-type activities decreased by \$38,581 or 0.85%.
- Total revenue of business-type activities increased \$496,236 or 20.89% and total expenses increased \$71,964 or 2.53%.
- The General Fund balance increased \$863,101 or 9.67%.
- The General Fund revenues increased \$210,554 or 1.72% and expenditures increased \$311,530 or 3.23%.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements provide the next level of detail. For governmental activities, these financial statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside government.

**Reporting the City as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities help to answer this question. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2017

These two statements report the City's position and changes in that net position. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements should take into account non-financial factors that also impact the City. Some of these factors include the City's tax base, the condition of its capital assets, and the reputation of the public schools to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the financial information of the City is divided into two kinds of activities:

- **Governmental Activities** – Most of the City's services are reported here including police and fire protection, recreation and parks, community environment, street repair and maintenance, and general government.
- **Business-Type Activities** – These services include the water, sewer and stormwater departments where the fees charged for these services are based upon the amount of usage and the intent is to recoup operational costs through the user fees.

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

Fund financial reports provide detailed information about each major fund. The major funds of the City include the General, Capital Improvement, Water and Sewer funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

Governmental Funds

Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of the funds, and the balances left at year-end which would be available for spending in future periods. These funds are reported using an accounting method called modified accrual, 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 on services

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2017

provided to our residents. 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.

Proprietary Funds

When the City charges citizens for the services it provides, with the intent of recouping operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Internal service funds are used to report activities that provide services to the City's other funds and departments.

Agency Funds

The financial activity of custodial funds, for which the City acts as the fiscal agent, is reported separately in the Statement of Assets and Liabilities. This financial activity is excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in these funds are used for their intended purposes.

**The City as a Whole**

The largest impact on the City's financial statement in 2017 had absolutely no impact on the City's financial condition; GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27". GASB 68 required the City to recognize a liability of over \$14 million. For reasons discussed below, this liability serves only to distort the true financial position of the City. 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. The resulting net position would be \$53,263,515, which is \$10.7 million more than the net position presented.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective 1) Present value of estimated future pension benefits attributable to active and inactive employees' past

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2017

service and 2) Minus plan assets available to pay these benefits. GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange”— that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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.

For 2017, the City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total of \$42.6 million. This represents an increase of 0.60% from the prior year. The unrestricted net position, the net position that can be used to finance daily operation without constraints established by enabling legislation or other legal requirements decreased by \$582,831 or 18.38%.

Explanations for larger fluctuations between years are as follows:

- The impact of the increased pension liability resulting in pension expense of \$2.2 million (a 22.22% increase).
- Income tax revenue increase of \$201,874 (2.87%).



**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2017

The following two tables present condensed information on Net Position and Changes in Net Position for the year.

**TABLE 1**  
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 17,211,920	\$ 16,173,948	\$ 3,321,662	\$ 3,608,787	\$ 20,533,582	\$ 19,782,735
Capital assets, net	35,470,496	34,888,953	2,429,236	2,356,929	37,899,732	37,245,882
<b>Total assets</b>	<u>52,682,416</u>	<u>51,062,901</u>	<u>5,750,898</u>	<u>5,965,716</u>	<u>58,433,314</u>	<u>57,028,617</u>
Deferred outflows of resources:						
Pensions	3,387,230	3,448,652	441,771	348,935	3,829,001	3,797,587
<b>Total deferred outflows of resources</b>	<u>3,387,230</u>	<u>3,448,652</u>	<u>441,771</u>	<u>348,935</u>	<u>3,829,001</u>	<u>3,797,587</u>
Current and other liabilities	683,240	736,371	348,240	630,643	1,031,480	1,367,014
Long-term liabilities:						
Due within one year	806,722	601,451	101,631	109,385	908,353	710,836
Due in more than one year	13,840,244	13,122,830	1,210,915	998,798	15,051,159	14,121,628
<b>Total liabilities</b>	<u>15,330,206</u>	<u>14,460,652</u>	<u>1,660,786</u>	<u>1,738,826</u>	<u>16,990,992</u>	<u>16,199,478</u>
Deferred inflows of resources:						
Property taxes	2,256,007	2,119,502	-	-	2,256,007	2,119,502
Pensions	445,729	185,444	15,850	21,211	461,579	206,655
<b>Total deferred inflows of resources</b>	<u>2,701,736</u>	<u>2,304,946</u>	<u>15,850</u>	<u>21,211</u>	<u>2,717,586</u>	<u>2,326,157</u>
Net position:						
Invested in capital assets, net	35,470,496	34,888,953	2,429,236	2,356,929	37,899,732	37,245,882
Restricted	2,065,444	1,883,295	-	-	2,065,444	1,883,295
Unrestricted	501,764	973,707	2,086,797	2,197,685	2,588,561	3,171,392
<b>Total net position</b>	<u>\$ 38,037,704</u>	<u>\$ 37,745,955</u>	<u>\$ 4,516,033</u>	<u>\$ 4,554,614</u>	<u>\$ 42,553,737</u>	<u>\$ 42,300,569</u>

**TABLE 2**  
**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,385,912	\$ 2,340,559	\$ 2,848,635	\$ 2,365,278	\$ 5,234,547	\$ 4,705,837
Operating grants & contributions	456,109	814,645	-	-	456,109	814,645
Capital grants & contributions	762,402	-	-	-	762,402	-
General revenues:						
Income taxes	7,230,678	7,028,804	-	-	7,230,678	7,028,804
Property taxes	2,435,964	2,404,871	-	-	2,435,964	2,404,871
Unrestricted grants & contributions	593,068	479,987	-	-	593,068	479,987
Investment earnings	97,282	61,285	14,478	10,303	111,760	71,588
Miscellaneous	191,292	82,831	9,129	425	200,421	83,256
Total revenues	<u>14,152,707</u>	<u>13,212,982</u>	<u>2,872,242</u>	<u>2,376,006</u>	<u>17,024,949</u>	<u>15,588,988</u>
<b>Program Expenses</b>						
Security of persons and property	6,045,477	5,792,248	-	-	6,045,477	5,792,248
Public health services	104,930	92,352	-	-	104,930	92,352
Leisure time activities	1,164,919	1,022,416	-	-	1,164,919	1,022,416
Community environment	2,052,506	1,939,293	-	-	2,052,506	1,939,293
Transportation	1,040,737	935,246	-	-	1,040,737	935,246
General government	2,729,091	2,420,090	-	-	2,729,091	2,420,090
Public works	704,073	511,434	-	-	704,073	511,434
Interest and fiscal charges	19,225	19,914	-	-	19,225	19,914
Water	-	-	1,179,774	1,123,470	1,179,774	1,123,470
Sewer	-	-	1,435,197	1,491,817	1,435,197	1,491,817
Stormwater	-	-	295,852	223,572	295,852	223,572
Total expenses	<u>13,860,958</u>	<u>12,732,993</u>	<u>2,910,823</u>	<u>2,838,859</u>	<u>16,771,781</u>	<u>15,571,852</u>
Changes in net position	291,749	479,989	(38,581)	(462,853)	253,168	17,136
Net position, beginning of year	37,745,955	37,265,966	4,554,614	5,017,467	42,300,569	42,283,433
Net position, end of year	<u>\$ 38,037,704</u>	<u>\$ 37,745,955</u>	<u>\$ 4,516,033</u>	<u>\$ 4,554,614</u>	<u>\$ 42,553,737</u>	<u>\$ 42,300,569</u>

**CITY OF OAKWOOD, OHIO**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended December 31, 2017

Table 3 shows the percentage of total expenses each functional area comprises, the net cost of each functional area and the percentage of each functional area expenses financed with general revenues.

**TABLE 3**  
**ANALYSIS OF PROGRAM EXPENSES**  
**GOVERNMENTAL ACTIVITIES**

	Total Expense by Function / Program	Percentage of Total Program Expenses	Total Program Revenue	Net Expense of Function	Percentage of Function Financed with General Revenues
<i>Program Expenses</i>					
Security of persons and property	\$ 6,045,477	43.61%	\$ (242,625)	\$ 5,802,852	95.99%
Public health services	104,930	0.76%	(19,618)	85,312	81.30%
Leisure time activities	1,164,919	8.40%	(537,741)	627,178	53.84%
Community environment	2,052,506	14.81%	(1,283,335)	769,171	37.47%
Transportation	1,040,737	7.51%	(1,190,189)	(149,452)	14.36%
General government	2,729,091	19.69%	(330,915)	2,398,176	87.87%
Public works	704,073	5.08%	-	704,073	100.00%
Interest and fiscal charges	19,225	0.14%	-	19,225	100.00%
	<u>\$ 13,860,958</u>	<u>100.00%</u>	<u>\$ (3,604,423)</u>	<u>\$ 10,256,535</u>	74.00%

As indicated by Table 3, the City is spending more than half of its resources (58.42%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 43.61% of total program expenses, revenues generated by the public safety department cover only 4.01% of functional expenses. This means that general revenues collected by the City, principally income and property taxes, must cover the remaining 95.99% of expenses reported by the public safety department. Refuse collection fees are the most significant program revenue source that helps offset the expenses reported for the community environment functions.

General government functions, principally legislative, administration and judicial activities, comprise 19.69% of the total governmental expenses. Most of the program revenue generated by this function is associated with court fees and fines, as well as other charges for services and operating grants. Charges for services and fees associated with the recreation department accounted for 46.16% of the leisure time activities functional expenses. Expenses associated with street resurfacing, street maintenance, snow removal and operation of the public works department are all included within the transportation function. General revenues comprise 74.53% of the total governmental revenues collected by the City during 2017. Principal components of general revenues; including income taxes (68.55%) and property taxes (23.09%), are used to furnish the quality of life and services to citizens and businesses to which they have become accustomed.

*Business-Type Activities*

The City's business-type activities include the Water, Sewer and Stormwater operations.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2017

Water – The water department at the City of Oakwood is responsible for the production, treatment and delivery of quality water to businesses and citizens within the boundaries of the City. Various functions within the water department include administration, water production, water distribution and maintaining and upgrading the infrastructure used to produce, treat and distribute the water. The water department in 2017 experienced an operating income of \$79,320, compared to a loss of \$313,117 in 2016. Operating results for the water fund can vary greatly depending in large part on the amount of irrigation water used throughout the city during the summer months, which is a function of the amount of rainfall during any given year. At December 31, 2017 the unrestricted net position represented 60.44% of the operating expenses reported for 2017.

Sewer – The City's sewer department is responsible for the collection and treatment of wastewater generated throughout the City. Various functions within the sewer department include administration, disposal, and maintaining and upgrading infrastructure used in the collection and disposal of wastewater. The sewer department recognized operating loss of \$111,408 during 2017 as compared to operating loss of \$174,955 reported for 2016.

Stormwater – The City's stormwater department is responsible for managing stormwater runoff in a manner consistent with the EPA's National Pollutant Discharge System standards. Citizens are charged a stormwater fee based on their impervious area of developed property. The fund experienced operating income in 2017 of \$40,619 as compared to \$53,261 reported in 2016.

Overall, the City's business-type activities generated \$2.85 million in program revenue during 2017, while program expenses were \$2.91 million. The business-type activities incurred an overall decrease in net position of \$38,581. It should be noted that the unrestricted net position of the business-type activities totaled \$2.01 million at the end of 2017. The amount of unrestricted net position for business-type activities reported at December 31, 2017 equaled 71.69% of the total expenses reported for business-type activities for 2017. Management will continue to monitor utility rate charges and necessary adjustments will be made to provide any additional financial resources needed.

**The City's Funds**

The governmental funds of the City are reported using the modified accrual basis of accounting. These funds had total revenues of \$14.23 million and expenditures of \$13.30 million for 2017. In total, the governmental funds reported a \$934,985 increase in total fund balance for the year. In 2016, the fund balance of the City's governmental funds increased by \$1,392,496. The increase in 2017 is primarily the result of the capital grant received for the Shroyer Road project. Most of the increase in 2016 is associated with the increase in income taxes as a result of the improving economy. The restricted, committed, assigned, and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year; these fund balances at

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2017

December 31, 2017 were \$12.34 million, or 92.79% of the total expenditures reported for the governmental funds for 2017.

The City's General Fund realized an \$863,101 increase in fund balance during 2017 as compared to the \$888,405 increase in 2016. Annually, the General Fund transfers amounts to other funds to cover recreation, street maintenance, state highway and other programs. These transfers also pay for capital improvement projects and construction of capital assets. The General Fund transferred \$1,618,889 to other funds in 2017 as compared to \$1,694,561 to other funds in 2016.

Explanation of the changes in the three enterprise funds of the City, the water, sewer and stormwater funds, follow the same explanations as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same accounting basis used in the city-wide statements.

**General Fund Budgeting Highlights**

The City's budget is adopted on a fund basis. Before the budget is adopted, council reviews the detailed budgets of each department within the General Fund and other funds, and then adopts the budget on a fund basis. Within each departmental budget, a department head, with the City Manager's approval, may make small line adjustments within their budget, as long as the total operational and maintenance amount does not exceed their budgetary allotment.

For the General Fund, budget basis revenue was \$9.84 million as compared to the actual revenues received of \$10.62 million. The City's variances in revenues received were from the following:

- Income tax receipts were \$725,934 more than budget;
- In miscellaneous income, a workers' compensation rebate of \$74,823 more than budget;
- Investment earnings were \$15,536 more than budget.

The budgeted expenditures of the City did not change from the original budget to the final budget. Actual expenditures were \$197,289 less than budgeted expenditures. For the year ended December 31, 2017 the total actual budgetary change in fund balance for the General Fund was an increase of \$460,422 resulting in a reported \$7,652,550 ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 100% of the total budgetary expenditures of the General Fund for 2017.

**CITY OF OAKWOOD, OHIO**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended December 31, 2017

**Capital Assets**

At the end of 2017, the City had a total of \$73.11 million invested in capital assets less accumulated depreciation of \$35.21 million resulting in total capital assets, net of accumulated depreciation of \$37.90 million.

During 2017, significant asset additions were as follows:

- Shroyer Road mill and overlay and boulevard construction of \$1,383,310;
- Old River Parking Lot of \$474,562;
- Cook Park improvements totaling \$67,186; and
- \$103,397 for the ion exchange medium for water plant #1.

Table 4 shows 2017 capital asset balances compared to those of 2016:

**TABLE 4**  
**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Construction in progress	\$ 49,862	\$ 360,942	\$ -	\$ -	\$ 49,862	\$ 360,942
Land	4,824,164	4,824,164	283,820	283,820	5,107,984	5,107,984
Buildings	8,201,807	8,669,137	245,051	237,664	8,446,858	8,906,801
Land Improvements	1,140,523	1,126,200	34,179	39,506	1,174,702	1,165,706
Equipment	414,530	352,632	357,815	306,764	772,345	659,396
Vehicles	267,762	247,721	64,119	70,818	331,881	318,539
Infrastructure	<u>20,571,848</u>	<u>19,308,157</u>	<u>1,444,252</u>	<u>1,418,357</u>	<u>22,016,100</u>	<u>20,726,514</u>
Total	<u>\$ 35,470,496</u>	<u>\$ 34,888,953</u>	<u>\$ 2,429,236</u>	<u>\$ 2,356,929</u>	<u>\$ 37,899,732</u>	<u>\$ 37,245,882</u>

Additional information on the City's capital assets can be found in Note 4 to the basic financial statements.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances. If you have questions or need additional financial information, please contact Cindy Stafford, CPA Director of Finance, City of Oakwood, 30 Park Avenue, Oakwood, Ohio 45419 or call (937) 298-0402.



# CITY OF OAKWOOD, OHIO

## Statement of Net Position

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Pooled cash and investments	\$ 12,317,733	\$ 2,288,614	\$ 14,606,347
Cash in segregated accounts	9,746	-	9,746
Receivables:			
Property taxes	2,278,109	-	2,278,109
Income taxes	2,291,357	-	2,291,357
Accounts	190,557	322,912	513,469
Special assessments	138,074	72,412	210,486
Interest	28,191	4,149	32,340
Intergovernmental	415,075	-	415,075
Prepaid expenses	37,947	4,422	42,369
Internal balances	(607,133)	607,133	-
Inventory	112,264	22,020	134,284
Nondepreciable capital assets	4,874,026	283,820	5,157,846
Depreciable capital assets (net of accumulated depreciation)	30,596,470	2,145,416	32,741,886
<b>Total assets</b>	<b>\$ 52,682,416</b>	<b>\$ 5,750,898</b>	<b>\$ 58,433,314</b>
<b>Deferred Outflows of Resources</b>			
Pensions	3,387,230	441,771	3,829,001
<b>Total deferred outflows of resources</b>	<b>3,387,230</b>	<b>441,771</b>	<b>3,829,001</b>
<b>Liabilities</b>			
Accounts payable	27,986	32,487	60,473
Contracts payable	53,304	1,447	54,751
Accrued wages payable	144,458	12,928	157,386
Intergovernmental payable	135,244	301,378	436,622
Unearned revenue - income tax credits	322,248	-	322,248
Long-term liabilities:			
Due within one year	806,722	101,631	908,353
Due within more than one year			
Net pension liability	12,929,211	1,147,989	14,077,200
Other amounts	911,033	62,926	973,959
<b>Total liabilities</b>	<b>15,330,206</b>	<b>1,660,786</b>	<b>16,990,992</b>
<b>Deferred Inflows of Resources</b>			
Property taxes	2,256,007	-	2,256,007
Pensions	445,729	15,850	461,579
<b>Total deferred inflows of resources</b>	<b>2,701,736</b>	<b>15,850</b>	<b>2,717,586</b>
<b>Net Position</b>			
Net investment in capital assets	35,470,496	2,429,236	37,899,732
Restricted for:			
Capital purposes	352,061	-	352,061
Other purposes	1,662,264	-	1,662,264
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	1,119	-	1,119
Unrestricted	501,764	2,086,797	2,588,561
<b>Total net position</b>	<b>\$ 38,037,704</b>	<b>\$ 4,516,033</b>	<b>\$ 42,553,737</b>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Activities

For the Year Ended December 31, 2017

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
	<b>Governmental activities:</b>						
Security of persons and property	\$ 6,045,477	\$ 223,225	\$ 19,400	\$ -	\$ (5,802,852)	\$ -	\$ (5,802,852)
Public health services	104,930	17,891	1,727	-	(85,312)	-	(85,312)
Leisure time activities	1,164,919	532,501	5,240	-	(627,178)	-	(627,178)
Community environment	2,052,506	1,283,335	-	-	(769,171)	-	(769,171)
Transportation	1,040,737	-	427,787	762,402	149,452	-	149,452
General government	2,729,091	328,960	1,955	-	(2,398,176)	-	(2,398,176)
Public works	704,073	-	-	-	(704,073)	-	(704,073)
Interest on long-term debt	19,225	-	-	-	(19,225)	-	(19,225)
<b>Total governmental activities</b>	<b>\$ 13,860,958</b>	<b>\$ 2,385,912</b>	<b>\$ 456,109</b>	<b>\$ 762,402</b>	<b>(10,256,535)</b>	<b>-</b>	<b>(10,256,535)</b>
<b>Business-type activities:</b>							
Water	1,179,774	1,190,582	-	-	-	10,808	10,808
Sewer	1,435,197	1,321,582	-	-	-	(113,615)	(113,615)
Stormwater	295,852	336,471	-	-	-	40,619	40,619
<b>Total business-type activities</b>	<b>2,910,823</b>	<b>2,848,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,188)</b>	<b>(62,188)</b>
<b>Total</b>	<b>\$ 16,771,781</b>	<b>\$ 5,234,547</b>	<b>\$ 456,109</b>	<b>\$ 762,402</b>	<b>(10,256,535)</b>	<b>(62,188)</b>	<b>(10,318,723)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Income taxes					7,230,678	-	7,230,678
<b>Property taxes levied for:</b>							
General purposes					2,358,510	-	2,358,510
Police and fire pension					77,454	-	77,454
<b>Grants and contributions not restricted</b>							
to specific programs					593,068	-	593,068
Investment earnings					97,282	14,478	111,760
Miscellaneous					191,292	9,129	200,421
<b>Total general revenues</b>					<b>10,548,284</b>	<b>23,607</b>	<b>10,571,891</b>
Change in net position					291,749	(38,581)	253,168
Net position, beginning of year					37,745,955	4,554,614	42,300,569
Net position, end of year					<b>\$ 38,037,704</b>	<b>\$ 4,516,033</b>	<b>\$ 42,553,737</b>

See accompanying notes to the basic financial statements.



# CITY OF OAKWOOD, OHIO

Balance Sheet  
Governmental Funds  
December 31, 2017

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Pooled cash and investments	\$ 9,477,698	\$ 348,380	\$ 2,346,252	\$ 12,172,330
Cash in segregated accounts	8,494	-	1,252	9,746
Receivables:				
Property taxes	2,196,134	-	81,975	2,278,109
Income taxes	2,291,357	-	-	2,291,357
Accounts	163,032	-	25,725	188,757
Special assessments	33,413	-	104,661	138,074
Interest	26,691	-	1,501	28,192
Intergovernmental	227,108	-	187,967	415,075
Prepaid expenses	28,435	-	9,070	37,505
Inventory	31,807	-	50,845	82,652
<b>Total assets</b>	<b>14,484,169</b>	<b>348,380</b>	<b>2,809,248</b>	<b>17,641,797</b>
<b>Liabilities</b>				
Accounts payable	17,922	-	213	18,135
Contracts payable	19,989	26,827	5,098	51,914
Accrued wages payable	154,345	-	12,153	166,498
Intergovernmental payable	126,622	-	6,814	133,436
Unearned revenue - income tax credits	322,248	-	-	322,248
<b>Total liabilities</b>	<b>641,126</b>	<b>26,827</b>	<b>24,278</b>	<b>692,231</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - income taxes	1,562,442	-	-	1,562,442
Unavailable revenue - property taxes	2,196,134	-	81,975	2,278,109
Unavailable revenue - other	298,669	-	287,854	586,523
<b>Total deferred inflows of resources</b>	<b>4,057,245</b>	<b>-</b>	<b>369,829</b>	<b>4,427,074</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid expenses and inventory	60,242	-	59,915	120,157
Unclaimed monies	14,950	-	-	14,950
Permanent Funds - Bullock Endowment	-	-	50,000	50,000
Restricted:				
Security of persons and property	-	-	616,345	616,345
Public health services	-	-	40,862	40,862
Leisure time activities	-	-	402,307	402,307
Community environment	-	-	1,120	1,120
Transportation	-	-	610,135	610,135
Municipal court activities	-	-	259,641	259,641
Committed:				
Capital projects fund	706,945	321,553	374,816	1,403,314
Assigned:				
General government for future appropriations	2,068,469	-	-	2,068,469
Unassigned:				
General fund	6,935,192	-	-	6,935,192
<b>Total fund balances</b>	<b>9,785,798</b>	<b>321,553</b>	<b>2,415,141</b>	<b>12,522,492</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 14,484,169</b>	<b>\$ 348,380</b>	<b>\$ 2,809,248</b>	<b>\$ 17,641,797</b>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2017

<b>Fund balance - total governmental funds</b>		\$ 12,522,492
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		32,385,639
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:		
Property and other taxes	22,102	
Income taxes	1,562,442	
Intergovernmental	365,657	
Special assessments	138,074	
Charges for services	71,272	
Interest	<u>11,520</u>	
		2,171,067
Internal service funds are used to charge the costs of certain activities such as providing insurance as well as the service center to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		3,077,582
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.		(607,133)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Police and fire pension	(439,783)	
Compensated absences payable	<u>(1,241,484)</u>	
		<u>(1,681,267)</u>
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	3,291,154	
Deferred inflows - pension	(442,282)	
Net pension liability	<u>(12,679,548)</u>	
		<u>(9,830,676)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>38,037,704</u></b>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

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

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Income taxes	\$ 7,306,434	\$ -	\$ -	\$ 7,306,434
Property taxes	2,288,247	-	144,903	2,433,150
Intergovernmental	483,723	762,402	556,491	1,802,616
Charges for services	1,937,630	-	82,926	2,020,556
Fines, licenses and permits	184,253	-	39,003	223,256
Special assessments	28,874	-	113,066	141,940
Investment earnings	82,713	-	9,649	92,362
Donations	1,955	-	17,323	19,278
Miscellaneous	134,404	47,004	9,884	191,292
<b>Total revenues</b>	<b>12,448,233</b>	<b>809,406</b>	<b>973,245</b>	<b>14,230,884</b>
<b>Expenditures</b>				
Security of persons and property	5,151,288	-	226,694	5,377,982
Public health services	-	-	90,299	90,299
Leisure time activities	946,683	-	82,428	1,029,111
Community environment	1,830,230	-	358	1,830,588
Transportation	-	-	846,326	846,326
General government	1,924,422	-	32,462	1,956,884
Capital outlay	113,620	1,657,956	357,192	2,128,768
Debt service:				
Principal retirement	-	-	16,716	16,716
Interest and fiscal charges	-	-	19,225	19,225
<b>Total expenditures</b>	<b>9,966,243</b>	<b>1,657,956</b>	<b>1,671,700</b>	<b>13,295,899</b>
<b>Excess of revenues over (under) expenditures</b>	<b>2,481,990</b>	<b>(848,550)</b>	<b>(698,455)</b>	<b>934,985</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	753,564	865,325	1,618,889
Transfers out	(1,618,889)	-	-	(1,618,889)
<b>Total other financing sources (uses)</b>	<b>(1,618,889)</b>	<b>753,564</b>	<b>865,325</b>	<b>-</b>
Net change in fund balance	863,101	(94,986)	166,870	934,985
Fund balance, beginning of year	8,922,697	416,539	2,248,271	11,587,507
<b>Fund balance, end of year</b>	<b>\$ 9,785,798</b>	<b>\$ 321,553</b>	<b>\$ 2,415,141</b>	<b>\$ 12,522,492</b>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, 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

<b>Net change in fund balances - total governmental funds</b>	\$	934,985
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 are allocated over their useful lives as depreciation expense:		
Capital asset additions	2,020,489	
Current year depreciation	<u>(1,290,670)</u>	729,819
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		(78,177)
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		16,716
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		973,399
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,968,894)
Internal service funds are used to charge the costs of certain activities, such as insurance and vehicle maintenance to the individual funds as reported in the Statement of Activities.		(101,834)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		<u>(214,265)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>291,749</u></b>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Net Position

### Proprietary Funds

December 31, 2017

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ 980,911	\$ 1,034,860	\$ 272,843	\$ 2,288,614	\$ 145,402
Receivables:					
Accounts	123,934	157,250	41,728	322,912	1,800
Special assessments	26,904	38,605	6,903	72,412	-
Interest	1,931	2,218	-	4,149	-
Prepaid expenses	2,455	1,804	163	4,422	443
Inventory	21,439	581	-	22,020	29,612
Total current assets	1,157,574	1,235,318	321,637	2,714,529	177,257
Noncurrent assets:					
Nondepreciable capital assets	283,820	-	-	283,820	49,144
Depreciable capital assets (net of accumulated depreciation)	1,079,547	1,065,869	-	2,145,416	3,035,713
Total noncurrent assets	1,363,367	1,065,869	-	2,429,236	3,084,857
<b>Total assets</b>	2,520,941	2,301,187	321,637	5,143,765	3,262,114
<b>Deferred Outflows of Resources</b>					
Pensions	213,247	144,624	83,900	441,771	96,076
<b>Total deferred outflows of resources</b>	213,247	144,624	83,900	441,771	96,076
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	32,487	-	-	32,487	9,851
Contracts payable	583	583	281	1,447	1,390
Accrued wages payable	6,229	3,964	2,735	12,928	2,830
Intergovernmental payable	5,640	293,322	2,416	301,378	1,809
Compensated absences payable	54,529	31,877	15,225	101,631	7,175
Total current liabilities	99,468	329,746	20,657	449,871	23,055
Noncurrent liabilities:					
Net pension liability	554,145	375,821	218,023	1,147,989	249,663
Compensated absences payable	33,762	19,737	9,427	62,926	4,443
Total noncurrent liabilities	587,907	395,558	227,450	1,210,915	254,106
<b>Total liabilities</b>	687,375	725,304	248,107	1,660,786	277,161
<b>Deferred Inflows of Resources</b>					
Pensions	7,651	5,189	3,010	15,850	3,447
<b>Total deferred inflows of resources</b>	7,651	5,189	3,010	15,850	3,447
<b>Net Position</b>					
Net investment in capital assets	1,363,367	1,065,869	-	2,429,236	3,084,857
Unrestricted	675,795	649,449	154,420	1,479,664	(7,275)
<b>Total net position</b>	\$ 2,039,162	\$ 1,715,318	\$ 154,420	\$ 3,908,900	\$ 3,077,582
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	\$ 607,133
				Total net position from above	3,908,900
					\$ 4,516,033

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

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

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<b>Operating Revenues</b>					
Charges for services	\$ 1,169,759	\$ 1,283,775	\$ 327,955	\$ 2,781,489	\$ 680,812
Fines, licenses and permits	-	-	-	-	-
Special assessments	20,823	35,966	6,310	63,099	-
Miscellaneous	6,922	4,047	2,206	13,175	-
<b>Total operating revenues</b>	1,197,504	1,323,788	336,471	2,857,763	680,812
<b>Operating Expenses</b>					
Personnel services	543,968	384,820	231,717	1,160,505	252,924
Contractual services	314,455	995,040	49,448	1,358,943	61,269
Supplies and materials	167,505	5,168	14,187	186,860	327,396
Claims	-	-	-	-	10,325
Miscellaneous	-	4,511	500	5,011	85
Depreciation	92,256	45,657	-	137,913	193,530
<b>Total operating expenses</b>	1,118,184	1,435,196	295,852	2,849,232	845,529
<b>Operating income (loss)</b>	79,320	(111,408)	40,619	8,531	(164,717)
<b>Non-operating revenues</b>					
Investment earnings	6,770	7,708	-	14,478	-
Change in net position	86,090	(103,700)	40,619	23,009	(164,717)
Net position, beginning of year	1,953,072	1,819,018	113,801		3,242,299
<b>Net position, end of year</b>	\$ 2,039,162	\$ 1,715,318	\$ 154,420		\$ 3,077,582
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	(61,590)
				Change in net position of business-type activities	\$ (38,581)

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2017

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<b><i>Cash flows from operating activities</i></b>					
Cash received from customers	\$ 997,017	\$ 1,133,449	\$ 322,629	\$ 2,453,095	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	632,283
Cash received from other sources	413	4,046	2,206	6,665	2,934
Cash payments for employee services and benefits	(502,656)	(350,511)	(195,347)	(1,048,514)	(226,858)
Cash payments for insurance claims	-	-	-	-	(10,332)
Cash payments to suppliers for goods and services	(482,068)	(951,294)	(73,946)	(1,507,308)	(342,201)
Cash payments for other operating expenses	(1,513)	(5,707)	(500)	(7,720)	(85)
Net cash provided (used) by operating activities	11,193	(170,017)	55,042	(103,782)	55,741
<b><i>Cash flows from capital and related financing activities</i></b>					
Acquisition of capital assets	(130,330)	(79,890)	-	(210,220)	(45,254)
Net cash used for capital and related financing activities	(130,330)	(79,890)	-	(210,220)	(45,254)
<b><i>Cash flows from investing activities</i></b>					
Market gain (loss) on investments	(1,752)	(2,015)	-	(3,767)	-
Proceeds from earnings on investments	8,522	9,723	-	18,245	-
Net cash provided by investing activities	6,770	7,708	-	14,478	-
Net increase (decrease) in cash and investments	(112,367)	(242,199)	55,042	(299,524)	10,487
Equity in pooled cash and investments, beginning of year	1,093,278	1,277,059	217,801	2,588,138	134,915
Pooled cash and investments, end of year	\$ 980,911	\$ 1,034,860	\$ 272,843	\$ 2,288,614	\$ 145,402
<b><i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i></b>					
Operating income (loss)	\$ 79,320	\$ (111,408)	\$ 40,619	\$ 8,531	\$ (164,717)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	92,256	45,657	-	137,913	193,530
Changes in assets and liabilities:					
Accounts receivable	(49,748)	(6,843)	(11,635)	(68,226)	(347)
Prepaid expenses	366	140	(1)	505	246
Inventory	(6,931)	663	-	(6,268)	(3,214)
Deferred outflows of resources - pension	(34,857)	(33,907)	(24,072)	(92,836)	(20,605)
Accounts payable	(137,938)	(180,997)	-	(318,935)	1,384
Contracts payable	(49)	(49)	(10,311)	(10,409)	1,390
Accrued wages payable	410	(16)	356	750	285
Intergovernmental payable	(2,851)	48,546	496	46,191	(587)
Net pension liability	87,196	86,010	61,418	234,624	52,113
Compensated absences payable	(12,788)	(16,272)	(1,201)	(30,261)	(2,596)
Deferred inflows of resources - pensions	(3,193)	(1,541)	(627)	(5,361)	(1,141)
Net cash provided (used) by operating activities	\$ 11,193	\$ (170,017)	\$ 55,042	\$ (103,782)	\$ 55,741

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Assets and Liabilities

### Agency Funds

December 31, 2017

	Martin Luther King Jr. Community Recognition Fund	Municipal Court Fund
<b><i>Assets</i></b>		
Pooled cash and investments	\$ 7,507	\$ -
Cash in segregated accounts	-	24,908
<b>Total assets</b>	<b>\$ 7,507</b>	<b>\$ 24,908</b>
<b><i>Liabilities</i></b>		
Deposits held and due to others	7,507	24,908
<b>Total liabilities</b>	<b>\$ 7,507</b>	<b>\$ 24,908</b>

See accompanying notes to the basic financial statements.





# CITY OF OAKWOOD, OHIO

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Reporting Entity**

The City of Oakwood, Ohio, (the “City”) is a home rule municipal corporation operating under the laws of the State of Ohio and under its own charter. The City was incorporated on July 29, 1907. A charter was first adopted on July 1, 1960.

The municipal government provided by the charter is known as a Council-Manager form of government. Legislative power is vested in a five-member council, each elected to four-year terms. The council appoints the Mayor and City Manager. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department heads and employees, except as otherwise provided in the charter.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

### **Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

# CITY OF OAKWOOD, OHIO

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

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

### **Basis of Presentation - Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and the business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (a) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the charter of the City.

The *Capital Improvement Fund* accounts for the construction of approved public improvements and services from general governmental resources.

The City reports the following major enterprise funds:

The *Water Fund* accounts for the provisions of water treatment and distribution to the residential and commercial users located within the City.

# CITY OF OAKWOOD, OHIO

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

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

The *Sewer Fund* accounts for the provisions of sanitary sewer service to the residents and commercial users located within the city.

The *Stormwater Fund* is not a major enterprise fund; however, it is the only other enterprise fund. The fund accounts for all activities associated with managing stormwater runoff within the city.

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for the financing of goods or services provided by one department to other departments in the City. These goods and services include vehicle maintenance and payment of self-insurance vision program deductibles.

The *Agency Funds* are used to account for the collection and disbursement of monies by the City on behalf of other individuals or entities. The City has two agency fiduciary funds. The Martin Luther King Jr. Community Recognition Fund accounts for funds related to the annual Dr. Martin Luther King Jr. holiday celebration event, jointly sponsored by the cities of Oakwood and Kettering. The Municipal Court Fund accounts for activity relating to the Oakwood Municipal Court.

### **Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured and the basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues available if they

# CITY OF OAKWOOD, OHIO

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

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

are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, income taxes and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances". The internal balances line item comprises the allocation of the business-type activities interest in the internal service funds that are included within the governmental activities.

### **Pooled Cash and Investments**

Investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price. Investments with an original maturity of three months or less at the time of purchase, and investments of the cash management pool are reported as cash equivalents on the financial statements.

### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

# CITY OF OAKWOOD, OHIO

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

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

### **Inventory**

Inventories consist of consumable supplies and are stated at cost, using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses / expenditures when consumed rather than purchased.

### **Prepaid Items**

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses / expenditures when consumed rather than purchased.

### **Long-Term Obligations**

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

### **Capital Assets**

Capital assets include land, land improvements, buildings, improvements, vehicles, machinery, equipment, infrastructure, construction in progress and all other assets used in operations and that have initial useful lives expending beyond a single reporting period. Infrastructure is defined as long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements and are not depreciated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized. All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

# CITY OF OAKWOOD, OHIO

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Vehicles and equipment	5-25 years
Buildings and land improvements	10-50 years
Infrastructure	15-50 years

### **Compensated Absences**

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from government service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

### **Fund Balance Classifications**

The following classifications of fund balances are used by the City:

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, donors, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed fund balance* – amounts committed to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported in the general fund only.

The City applies restricted resources when an expense is incurred for which both restricted and unrestricted (committed, assigned and unassigned) fund balances are available. The City considers committed, assigned and unassigned fund balances, respectively to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classification could be used.

# CITY OF OAKWOOD, OHIO

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

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

### **Pensions**

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 plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension plans report investments at fair value.

### **Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through 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. Of the City's \$2,065,444 in restricted net position, none was restricted by enabling legislation.

### **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Grants and Other Intergovernmental Revenues**

All reimbursement-type grants are recorded as intergovernmental receivables and revenues or deferred inflows of resources when the related expenditures are incurred.



# CITY OF OAKWOOD, OHIO

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

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

### Interfund Transactions and Transfers

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The accompanying financial statements generally reflect such transactions as transfers, with the exception of the internal service fund which is used to account for various supplies and services which are then charged back to the appropriate fund on an “as used” basis. The internal service fund records such charges as operating revenues; all other City funds record payments to the internal service fund as operating expenditures.

## NOTE 2 – POOLED CASH AND INVESTMENTS

The City maintains a cash and investments pool that is available for use by all funds. Money for all funds, including proprietary funds, is maintained in this pool. Individual fund integrity is maintained through the City’s records. Each fund’s interest in the pooled bank account is presented as “equity in pooled cash and investments” on the financial statements.

Investment earnings are distributed to the funds according to charter and statutory requirements. Investment earnings reported in the statement of activities for 2017 amounted to \$111,760. This amount includes a decrease of \$29,274 to reflect the market value of the City’s investments at December 31, 2017.

The provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code govern the investment and deposit of City monies. In accordance with these provisions, only financial institutions located in Ohio and primary securities dealers are eligible to hold public deposits. The provisions also permit the City to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer’s investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The City may also enter into repurchase agreements with any eligible depository for a period not exceeding five years.

Public depositories must give security for all public funds on deposit. According to the City’s Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 105 percent of the total value of public monies on deposit at the institution **that are not covered by FDIC.**

# CITY OF OAKWOOD, OHIO

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

*Deposits:* At year end, the carrying amount of the City’s cash on hand was \$1,375, the City’s deposits were \$6,643,148 and the bank balance was \$6,941,949. Of the bank balance, \$536,342 was covered by federal deposit insurance; the remaining \$6,405,607 of the City’s bank balance 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, per Ohio Revised Code Section 135.181. The City has no investment policy for custodial credit risk.

*Investments:* At year-end, the City had the following investments:

	Fair Value	Investment Maturities (in Years)		
		Less than One Year	One to Five Years	Five to Seven Years
Federal Home Loan Mortgage Corp	\$ 4,532,398	\$ -	\$ 4,532,398	\$ -
Federal National Mortgage Association	746,902	-	746,902	-
Federal Home Loan Bank Step	1,991,230	-	1,991,230	-
Certificates of Deposit	735,000	735,000	-	-
<b>Total</b>	<b>\$ 8,005,530</b>	<b>\$ 735,000</b>	<b>\$ 7,270,530</b>	<b>\$ -</b>

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. All of the City’s investments are Level 2 inputs.

*Interest Rate Risk* – The City’s investment policy states that the maximum maturity for any investment is limited to a final stated maturity of seven years, an expected call of seven years, or an expected average life of seven years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security to the City.

*Credit Risk* – The City’s investment policy states that investment in corporate entities must have a debt rating of AA or better by Standard & Poors’ or Moody’s rating service. The City’s investments in US government agencies all have a rating of AA+ by Standard & Poors’ and AAA by Moody’s.

*Concentration of Credit Risk* – The City’s investment policy does not place any limit on investments in any single issuer. Five percent or more of the City’s investments are in the following:

<u>Investment</u>	<u>Percent</u>
Federal Home Loan Mortgage Corp	56.62%
Federal National Mortgage Association	9.33%
Federal Home Loan Bank Step	24.87%
Certificates of Deposit	9.18%

# CITY OF OAKWOOD, OHIO

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

## NOTE 3 – RECEIVABLES AND PAYABLES

### Income Tax

The City levies a municipal income tax of two and one-half percent on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City; however, a credit is allowed for income taxes paid to other municipalities prior to December 31, 2017. Effective January 1, 2018, a reduction factor of 0.90% is applied to income taxes paid to other municipalities. Filing is mandatory for all residents of the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

### Property Taxes

Property taxes include amounts levied against all real, public utility and tangible (used in business) personal property located in the City. Real property taxes are levied each December 31<sup>st</sup> on the assessed value listed as of the prior December 31<sup>st</sup>. Assessed values are established by State law at 35% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2014.

The property tax calendar is as follows:

Levy date	December 31, 2016
Lien date	December 31, 2016
Tax bill mailed	January 20, 2017
First installment payment due	February 17, 2017
Second installment payment due	July 21, 2017

The assessed values for the City at December 31, 2016 were as follows:

	<u>Assessed Value</u>
Real Estate	\$294,134,250
Tangible Personal Property	<u>2,323,250</u>
Total	<u>\$296,457,500</u>

The County Treasurer collects property taxes on behalf of all taxing districts including the City of Oakwood. The County periodically remits to the City its portion of the taxes collected. Property taxes may be paid on either an annual or semiannual basis.

# CITY OF OAKWOOD, OHIO

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

## NOTE 3 – RECEIVABLES AND PAYABLES (Continued)

### Receivables / Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivable for revenues that are not considered available to liquidate liabilities of the current period. The balances at December 31, 2017 were:

	Governmental Funds	
	Receivables	Deferred Inflows of Resources
Property taxes	\$ 2,278,109	\$ 2,278,109
Income taxes	2,291,357	1,562,442
Accounts receivable	188,757	71,272
Special assessments	138,074	138,074
Interest	28,192	11,520
Intergovernmental	<u>415,075</u>	<u>365,657</u>
	<u>\$ 5,339,564</u>	<u>\$ 4,427,074</u>

Accounts receivable consists of primarily charges for refuse services, sidewalk repair and emergency medical transportation services provided by the City of Oakwood. Special assessments consist of mainly charges for street lighting. Intergovernmental receivables are amounts due to the City from other governmental units, primarily estate and gasoline taxes.

### Payables

The balances at December 31, 2017 were:

Governmental Funds Payables	
Accounts payable	\$ 18,135
Contracts payable	51,914
Accrued wages	166,498
Intergovernmental	<u>133,436</u>
	<u>\$ 369,983</u>

The payables and accrued liabilities were primarily for materials and services, payroll and payroll related liabilities that were expensed but the funds had not been disbursed, both due to the normal lag in processing such transactions at year-end.

# CITY OF OAKWOOD, OHIO

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

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental Activities</i>				
Non-depreciable capital assets:				
Land	\$ 4,824,164	\$ -	\$ -	\$ 4,824,164
Construction in progress	360,942	163,482	(474,562)	49,862
Non-depreciable capital assets	5,185,106	163,482	(474,562)	4,874,026
Depreciable capital assets:				
Buildings	15,106,890	21,950	-	15,128,840
Land Improvements	1,932,192	104,900	-	2,037,092
Equipment	2,209,496	152,561	(82,530)	2,279,527
Vehicles	2,601,610	74,543	(63,997)	2,612,156
Infrastructure	34,770,518	2,022,869	-	36,793,387
Depreciable capital assets	56,620,706	2,376,823	(146,527)	58,851,002
Less accumulated depreciation:				
Buildings	(6,437,753)	(489,280)	-	(6,927,033)
Land Improvements	(805,992)	(90,577)	-	(896,569)
Equipment	(1,856,864)	(90,663)	82,530	(1,864,997)
Vehicles	(2,353,889)	(54,502)	63,997	(2,344,394)
Infrastructure	(15,462,361)	(759,178)	-	(16,221,539)
Accumulated depreciation	(26,916,859)	(1,484,200)	146,527	(28,254,532)
Depreciable capital assets, net	29,703,847	892,623	-	30,596,470
Governmental activities capital assets, net	\$ 34,888,953	\$ 1,056,105	\$ (474,562)	\$ 35,470,496

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 595,794
General government	522,438
Security of persons and property	60,119
Community environment	38,131
Transportation	50,093
Leisure time activities	24,095
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	193,530
Total depreciation expense - governmental activities	\$ 1,484,200

## CITY OF OAKWOOD, OHIO

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

### NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Business-type Activities</i>				
Non-depreciable capital assets:				
Land	\$ 283,820	\$ -	\$ -	\$ 283,820
Depreciable capital assets:				
Buildings	809,769	26,933	-	836,702
Land Improvements	127,534	-	-	127,534
Equipment	2,868,292	103,397	-	2,971,689
Vehicles	414,584	-	-	414,584
Infrastructure	4,670,212	79,890	-	4,750,102
Depreciable capital assets	<u>8,890,391</u>	<u>210,220</u>	<u>-</u>	<u>9,100,611</u>
Less accumulated depreciation:				
Buildings	(572,105)	(19,546)	-	(591,651)
Land Improvements	(88,028)	(5,327)	-	(93,355)
Equipment	(2,561,528)	(52,346)	-	(2,613,874)
Vehicles	(343,766)	(6,699)	-	(350,465)
Infrastructure	(3,251,855)	(53,995)	-	(3,305,850)
Accumulated depreciation	<u>(6,817,282)</u>	<u>(137,913)</u>	<u>-</u>	<u>(6,955,195)</u>
Depreciable capital assets, net	<u>2,073,109</u>	<u>72,307</u>	<u>-</u>	<u>2,145,416</u>
Business-type Activities capital assets, net	<u>\$ 2,356,929</u>	<u>\$ 72,307</u>	<u>\$ -</u>	<u>\$ 2,429,236</u>

### NOTE 5 – 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.

# CITY OF OAKWOOD, OHIO

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

## **NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)**

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.

### **Ohio Public Employees Retirement System (OPERS)**

*Plan Description* - The City's employees 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.

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.

# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
<p><b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p><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</p>	<p><b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p><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</p>	<p><b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit</p> <p><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</p>

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.



# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

*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	14.00%
Employee	10.00%
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.00%
Post-employment Health Care Benefits	<u>1.00%</u>
Total Employer	<u>14.00%</u>
Employee	<u>10.00%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City is contractually required contribution was \$501,333 for 2017. Of this amount \$60,264 is reported as an intergovernmental payable.

### **Ohio Police & Fire Pension Fund (OP&F)**

*Plan Description* - City full-time safety officers participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OP&F 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.

# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

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

	<u>Safety Officers</u>
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	19.50%
Employee	12.25%
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	19.00%
Post-employment Health Care Benefits	<u>0.50%</u>
Total Employer	<u>19.50%</u>
Employee	<u>12.25%</u>

# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

The City's contractually required contribution to OP&F was \$559,235 for 2017. Of this amount \$64,453 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$439,783 payable in semi-annual payments through the year 2035.

### 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. OP&F'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:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the Net Pension Liability	\$ 6,602,438	\$ 7,474,762	\$ 14,077,200
Proportion of the Net Pension Liability Current Measurement Date	0.0290750%	0.1180112%	
Proportion of the Net Pension Liability Prior Measurement Date	<u>0.0295590%</u>	<u>0.1246640%</u>	
Change in Proportionate Share	-0.0004840%	-0.0066528%	
Pension Expense	\$ 1,371,277	\$ 850,285	\$ 2,221,562

# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – 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>			
Differences between expected and actual experience	\$ 8,949	\$ 2,114	\$ 11,063
Changes in assumptions	1,047,228	-	1,047,228
Net difference between projected and actual earnings on pension plan investments	983,255	726,887	1,710,142
Contributions subsequent to the measurement date	<u>501,333</u>	<u>559,235</u>	<u>1,060,568</u>
Total Deferred Outflows of Resources	<u>\$ 2,540,765</u>	<u>\$ 1,288,236</u>	<u>\$ 3,829,001</u>
<b>Deferred Inflows of resources:</b>			
Differences between expected and actual experience	\$ 39,294	\$ 17,210	\$ 56,504
Changes in employer proportionate share of net pension liability	<u>51,862</u>	<u>353,213</u>	<u>405,075</u>
Total Deferred Inflows of Resources	<u>\$ 91,156</u>	<u>\$ 370,423</u>	<u>\$ 461,579</u>

\$1,060,568 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>Year Ending December 31:</u>	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2018	\$ 796,095	\$ 204,342	\$ 1,000,437
2019	833,163	204,342	1,037,505
2020	347,840	138,470	486,310
2021	(28,822)	(121,038)	(149,860)
2022	-	(61,685)	(61,685)
Thereafter	-	<u>(5,852)</u>	<u>(5,852)</u>
Total	<u>\$ 1,948,276</u>	<u>\$ 358,579</u>	<u>\$ 2,306,855</u>

### Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. 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:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2016
Experience Study	5 year period ending December 31, 2015
Actuarial Cost Method	Individual Entry Age
 Actuarial Assumptions:	
Investment Rate of Return	7.50%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Cost-of-Living Adjustments:	
Pre 1/7/2013 Retirees	3.00% Simple
Post 1/7/2013 Retirees	3.00% Simple
Through 2018, then	2.15% Simple

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.

## CITY OF OAKWOOD, OHIO

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

### NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

The long-term expected 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.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 following table 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>	<u>4.92%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the net pension liability or asset calculated using the discount rate of 7.5%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Decrease <u>(8.50%)</u>
City's proportionate share of the net pension liability	\$ 10,086,699	\$ 6,602,438	\$ 3,698,922

*Changes in Benefit Terms and Assumptions* - 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.

# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

### Actuarial Assumptions – OP&F

OP&F'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 OP&F'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 are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

<u>Actuarial Information</u>	<u>OP&amp;F Pension Plan</u>
Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Experience Study	5 year period ending December 31, 2011
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Wage Inflation	3.25%, plus productivity increase rate of 0.50%
Projected Salary Increases	4.25% - 11.00%
Cost-of-Living Adjustments	3.00% Simple; 2.60% simple for increases based on the lessor of the increase in CPI and 3.00%



# CITY OF OAKWOOD, OHIO

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

## NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police (safety officers) and three years for firefighters. For service retirements, set back zero years for police (safety officers) 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 A A .)

The most recent experience study of five years was completed in 2017 covering the period 2012-2016.

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 OPF's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

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

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

Note: Assumptions are geometric

\* Levered 2x

\*\*Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F'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 1.20 times due to the application of leverage in certain fixed income asset classes.

## CITY OF OAKWOOD, OHIO

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

### NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25% 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% or one percentage point higher, 9.25% than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Decrease (9.25%)
City's proportionate share of the net pension liability	\$ 9,955,497	\$ 7,474,762	\$ 5,372,305

*Changes in Benefit Terms and Assumptions* - There have been no plan amendments adopted or changes in assumptions since the latest actuarial valuation, as of January 1, 2016, with actuarial liability rolled forward to December 31, 2016.

### NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 5, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F) provide post retirement health care coverage, which meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. For both systems, the Ohio Revised Code (ORC) permits, but does not mandate, OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in the ORC Chapter 145 for OPERS and Chapter 742 for OP&F.

# CITY OF OAKWOOD, OHIO

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

## **NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

### **Ohio Public Employees Retirement System OPEB**

OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO), all of which are described in note 5. OPERS maintains a cost-sharing multiple employer defined benefit post employment healthcare plan, which provides a medical plan, prescription drug program and Medicare Part B premium reimbursement, to age and service retirees with 20 or more years of qualifying Ohio service credit of both the TP and CO. Members of the MD do not qualify for ancillary benefits, including post employment health care coverage. Health care coverage for disability recipients and qualified survivor benefit recipients is available.

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 14.0%. The ORC states that the employer contribution may not exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS post employment healthcare plan was established and is administrated in accordance with Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2017, the employer contribution allocated to the health care plan was 1.0% for both the TP and CO. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions to OPERS for the healthcare plan for the years ending December 31, 2017, 2016 and 2015 were \$40,798, \$79,738 and \$77,906 equal to the required contributions for the year.

Changes to the health care plan were adopted in 2012 with a transition plan beginning in 2014. Because of these changes and the recent passage of pension legislation, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

# CITY OF OAKWOOD, OHIO

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

## **NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

### **Ohio Police and Fire Pension Fund OPEB**

OP&F sponsors a cost-sharing multiple-employer defined post retirement healthcare plan administered by OP&F. OP&F provides healthcare 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.

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OP&F. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. 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%. The ORC states that the employer contribution may not exceed 19.5%. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the ORC 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 healthcare benefits. For the year ended December 31, 2017, the employer contribution allocated to the healthcare plan was 0.5% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare 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 to OP&F for the healthcare plan for the years ending December 31, 2017, 2016 and 2015 were \$15,005, \$14,294 and \$14,271.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting their website at [www.op-f.org](http://www.op-f.org).

# CITY OF OAKWOOD, OHIO

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

## **NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

### **Other Employee Benefits – Compensated Absences:**

#### **Accumulated Unpaid Vacation**

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City amounted to \$512,424 at December 31, 2017.

#### **Accumulated Unpaid Sick Leave**

City employees hired before December 31, 2011 and all union employees earn sick leave at a rate of 10 hours per month. Non-union city employees hired after December 31, 2011 earn sick leave at a rate of 6.67 hours per month. A maximum of 150 days of sick leave can be carried forward from year to year.

Any employee hired before December 31, 2011 and all union employees who retire under the provisions of the Ohio Public Employees Retirement System or the Ohio Police and Fire Pension Fund, or any other plan of the State of Ohio or the City of Oakwood, will be compensated for accumulated sick leave of sixty (60) days or more, upon the basis of one day's pay for every three (3) days sick leave. If an employee has accumulated one hundred twenty (120) days of sick leave or more, the employee or his beneficiary will be compensated at retirement or death at one day's pay for each two (2) days of sick leave, on the same terms as outlined above, but in place of the formula outlined above.

Non-union city employees hired after December 31, 2011 and who retire under the provisions of the Ohio Public Employees Retirement System or the Ohio Police and Fire Pension Fund, or any other plan of the State of Ohio or the City of Oakwood, will be compensated for accumulated sick leave of sixty (60) days or more, upon the basis of one day's pay for every three (3) days sick leave.

The total obligation for the sick leave accrual for the City amounted to \$930,105 at December 31, 2017.

# CITY OF OAKWOOD, OHIO

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

## NOTE 7 – OTHER COMMITMENTS

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	\$	109,064
Capital improvement fund		95,132
Other governmental funds		263,721
Internal Service Funds		20,402
Enterprise Funds		<u>329,027</u>
Total	\$	<u>817,346</u>

## NOTE 8—LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS

### Long-term Obligations

The following is a summary of long-term liability activity for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b><u>Governmental Activities:</u></b>					
Police and Fire Pension	\$ 456,499	\$ -	\$ 16,716	\$ 439,783	\$ 17,434
Compensated Absences Payable	<u>1,041,433</u>	<u>769,402</u>	<u>532,863</u>	<u>1,277,972</u>	<u>789,288</u>
Total	<u>\$ 1,497,932</u>	<u>\$ 769,402</u>	<u>\$ 549,579</u>	<u>\$ 1,717,755</u>	<u>\$ 806,722</u>
<b><u>Business-Type Activities:</u></b>					
Compensated Absences Payable	<u>\$ 194,818</u>	<u>\$ 5,929</u>	<u>\$ 36,190</u>	<u>\$ 164,557</u>	<u>\$ 101,631</u>
Total	<u>\$ 194,818</u>	<u>\$ 5,929</u>	<u>\$ 36,190</u>	<u>\$ 164,557</u>	<u>\$ 101,631</u>
<b><u>Net Pension Liability:</u></b>					
<b><u>Governmental Activities:</u></b>					
OPERS	\$ 4,206,626	\$ 1,247,823	\$ -	\$ 5,454,449	
OP&F	<u>8,019,723</u>	<u>-</u>	<u>544,961</u>	<u>7,474,762</u>	
Total	<u>\$ 12,226,349</u>	<u>\$ 1,247,823</u>	<u>\$ 544,961</u>	<u>\$ 12,929,211</u>	
<b><u>Business-Type Activities:</u></b>					
OPERS	<u>\$ 913,365</u>	<u>\$ 234,624</u>	<u>\$ -</u>	<u>\$ 1,147,989</u>	

In 1969, the City entered into an agreement with the State of Ohio to fund the unfunded pension costs associated with police and fire service. The original obligation was \$718,825 and is being repaid through local property tax revenues.

## CITY OF OAKWOOD, OHIO

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

### NOTE 8—LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS (continued)

Compensated absences will be paid from the fund in which the employee who has earned the leave is paid.

Principal and interest requirements to retire the city’s long-term obligations outstanding at December 31, 2017 were:

Year Ending December 31,	Police and Fire Pension	
	Principal	Interest
2018	17,434	18,507
2019	18,182	17,759
2020	18,964	16,978
2021	19,778	16,163
2022	20,628	15,314
2023-2027	117,214	62,492
2028-2032	144,643	35,063
2033-2035	82,940	5,294
Total	<u>\$ 439,783</u>	<u>\$ 187,570</u>

#### **Legal Debt Margin**

The City Charter provides that the total net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 7.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of the municipal corporation cannot exceed 2.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. As of December 31, 2017, the City had legal debt margin for total debt of \$22,234,313 and a legal debt margin for unvoted debt of \$7,411,438.

### NOTE 9 – TRANSFERS

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

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ -	\$ 1,618,889
Capital improvement	\$ 753,564	\$ -
Other governmental	865,325	-
Total transfers	<u>\$ 1,618,889</u>	<u>\$ 1,618,889</u>

All interfund transfers are routine in nature and are to subsidize the operations of the applicable fund.

# CITY OF OAKWOOD, OHIO

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

## NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City secures general liability, property and automobile coverage through the Ohio Plan Risk Management, Inc. (OPRM). This plan does not operate as a risk pool, but provides insurance protection through reinsurance treaties. The plan retained 50% through October 31, 2017 and 47% thereafter of the premiums and losses on the first \$250,000 of the casualty treaty, 30% of the first \$1,000,000 property treaty and a complementary excess layer within the property quota share treaty that will reimburse the OPRM 30% of the loss value that exceeds \$200,000. The City pays an annual premium to OPRM for this coverage. Insurance will cover up to the limits as stated below:

	Per Occurrence	Annual Aggregate	Deductible
General liability	\$ 6,000,000	\$ 8,000,000	\$ 1,000
Employers liability	\$ 6,000,000	\$ 6,000,000	N/A
Employee benefits liability	\$ 6,000,000	\$ 8,000,000	N/A
Law enforcement officers liability	\$ 6,000,000	\$ 8,000,000	\$ 2,500
Public official liability	\$ 6,000,000	\$ 8,000,000	\$ 2,500
Automobile liability	\$ 6,000,000	N/A	Comprehensive - \$500 Collision - \$1,000

There were no reductions in insurance coverage during the year in any category of risk. Settled claims did not exceed insurance coverage in each of the past three years.

The City pays the State Workers' Compensation System a premium based on salaries paid. The City also provides medical, dental, vision and life insurance to all full-time employees. In 2017, the City paid approximately 90% of the premiums for medical coverage, approximately 80% of the premiums for dental insurance, and 100% of the premiums for life insurance. The City is self-insured for vision insurance. Vision payments were \$10,325, \$10,195 and \$9,362 for the years ended December 31, 2017, 2016 and 2015, respectively.

## NOTE 11 – CONTINGENT LIABILITIES

Amounts received or receivables from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal or State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is named in a variety of lawsuits in the course of its normal governmental operations. Liability, if any, which might result from these proceedings would not, in the opinion of management and legal counsel, have a material effect on the position of the City.



## CITY OF OAKWOOD, OHIO

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

### NOTE 12 – IMPLEMENTATIONS OF NEW ACCOUNTING PRINCIPLES

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (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. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"*. 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 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.



**Required Supplementary Information**

## CITY OF OAKWOOD, OHIO

### Schedule of The City's Proportionate Share of the Net Pension Liability Last Four Fiscal Years (1)

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
<b><i>Ohio Public Employees Retirement System</i></b>							
City's proportion of the net pension liability	0.029075%		0.029559%		0.029810%		0.029810%
City's proportionate share of the net pension liability	\$ 6,602,438	\$	5,119,991	\$	3,595,419	\$	3,514,211
City's covered-employee payroll	\$ 3,758,758	\$	3,891,075	\$	3,666,814	\$	4,149,576
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.65%		131.58%		98.05%		84.69%
Plan fiduciary net position as a percentage of the total pension liability	77.25%		81.08%		86.45%		86.36%
 <b><i>Ohio Police &amp; Fire Pension Fund</i></b>							
City's proportion of the net pension liability	0.118012%		0.124664%		0.126194%		0.126194%
City's proportionate share of the net pension liability	\$ 7,474,762	\$	8,019,723	\$	6,537,381	\$	6,146,049
City's covered-employee payroll	\$ 2,822,505	\$	2,799,400	\$	2,779,544	\$	2,811,710
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.83%		286.48%		235.20%		218.59%
Plan fiduciary net position as a percentage of the total pension liability	68.36%		66.77%		72.20%		73.00%

(1) This schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available and amounts presented as of the City's measurement date which is the prior fiscal year end.

# CITY OF OAKWOOD, OHIO

## Schedule of The City's Contributions

Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>Ohio Public Employees Retirement System</i></b>				
Contractually required contributions	\$ 501,333	\$ 451,051	\$ 466,929	\$ 440,018
Contributions in relation to the contractually required contributions	<u>501,333</u>	<u>451,051</u>	<u>466,929</u>	<u>440,018</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,856,408	\$ 3,758,758	\$ 3,891,075	\$ 3,666,814
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%
 <b><i>Ohio Police &amp; Fire Pension Fund</i></b>				
Contractually required contributions	\$ 559,235	\$ 536,276	\$ 531,886	\$ 528,114
Contributions in relation to the contractually required contributions	<u>559,235</u>	<u>536,276</u>	<u>531,886</u>	<u>528,114</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,943,342	\$ 2,822,505	\$ 2,779,400	\$ 2,779,544
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.14%	19.00%

(1) This schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available and amounts presented as of the City's measurement date which is the prior fiscal year end.

# CITY OF OAKWOOD, OHIO

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

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Income taxes	\$ 6,580,000	\$ 6,580,000	\$ 7,305,934	\$ 725,934
Property taxes	2,567,500	2,567,500	2,574,695	7,195
Intergovernmental	304,726	304,726	257,317	(47,409)
Charges for services	115,275	115,275	107,811	(7,464)
Fines, licenses and permits	190,850	190,850	185,643	(5,207)
Investment earnings	50,000	50,000	65,536	15,536
Donations	3,450	3,450	1,955	(1,495)
Miscellaneous	24,800	24,800	116,146	91,346
<b>Total revenues</b>	<u>9,836,601</u>	<u>9,836,601</u>	<u>10,615,037</u>	<u>778,436</u>
<b>Expenditures</b>				
Current:				
Security of persons and property	5,256,924	5,256,924	5,197,463	59,461
Community environment	614,382	614,382	600,073	14,309
General government	1,979,367	1,979,367	1,855,848	123,519
<b>Total expenditures</b>	<u>7,850,673</u>	<u>7,850,673</u>	<u>7,653,384</u>	<u>197,289</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,985,928</u>	<u>1,985,928</u>	<u>2,961,653</u>	<u>975,725</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers out	(2,817,931)	(2,817,931)	(2,501,211)	316,720
<b>Total other financing sources (uses)</b>	<u>(2,817,931)</u>	<u>(2,817,931)</u>	<u>(2,501,211)</u>	<u>316,720</u>
Net change in fund balance	(832,003)	(832,003)	460,442	1,292,445
Fund balance, beginning of year	7,192,108	7,192,108	7,192,108	-
<b>Fund balance, end of year</b>	<u>\$ 6,360,105</u>	<u>\$ 6,360,105</u>	<u>\$ 7,652,550</u>	<u>\$ 1,292,445</u>

See notes to required supplementary information.

# CITY OF OAKWOOD, OHIO

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

## **Note 1 – Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balances – budget and actual budgetary (non-GAAP) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance for general fund (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The general fund (GAAP basis) includes several funds required to be combined as opposed to the general fund (budget basis) which is just the general fund.

Additionally, all annual appropriations lapse at year-end to the extent they have been expended or lawfully encumbered. The ending fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

## **Note 2 – Budgetary Process**

All funds, except for agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a

# CITY OF OAKWOOD, OHIO

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

## Note 2 – Budgetary Process (Continued)

need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and other expenditures level within each office, department and division within a fund. Council must approve any revisions that alter total fund appropriations.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts on the amended certificate at the time final appropriations were adopted.

The appropriation resolution is subject to amendment by Council throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covers the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

## Note 3 – Reconciliation of Budget Basis to Governmental GAAP Basis

The following table summarizes the adjustments necessary to reconcile the Governmental GAAP basis statements to the budgetary basis statements:

	<u>General Fund</u>
GAAP Basis	\$ 863,101
Adjustments:	
Other fund balances included in governmental GAAP basis	(436,453)
Revenue accruals	(21,601)
Expenditure accruals	78,030
Encumbrances	(58,576)
Transfers	<u>35,941</u>
Budgetary Basis	<u>\$ 460,442</u>

# CITY OF OAKWOOD, OHIO

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

## Note 4 – Pension Plans

### **Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions**

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 Pension Changes in Benefit Terms and Assumptions**

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



**CITY OF OAKWOOD, OHIO**



**Yellow Book Report**

**December 31, 2017**

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

Honorable Mayor and the City Council  
City of Oakwood  
Montgomery County  
30 Park Avenue  
Oakwood, Ohio 45419

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 Oakwood (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 22, 2018.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Dayton, Ohio  
May 22, 2018

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**CITY OF OAKWOOD**

**MAHONING 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  
JUNE 14, 2018**