



City of Oakwood

Basic Financial Statements
For the Year Ended
December 31, 2018



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Columbus, Ohio 43215
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Members of Council
City of Oakwood
30 Park Avenue
Oakwood, Ohio 45419

We have reviewed the *Independent Auditor's Report* of the City of Oakwood, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 22, 2019

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City of Oakwood, Ohio

Basic Financial Statements
For the Year Ended December 31, 2018

with

Independent Auditor's Report

Prepared by:

Department of Finance

Cindy S. Stafford, CPA

Director of Finance

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

CITY OF OAKWOOD, OHIO

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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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. We did not modify our opinion regarding this matter.

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 pension information and other postemployment information 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 15, 2019, 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 15, 2019

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2018

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, 2018.

Financial Highlights

- Net position decreased by \$550,461 or 1.61% and unrestricted net position decreased \$732,569 or 12.71%.
- Total revenues increased \$63,053 or 0.37% and total expenses increased \$866,682 or 5.17%.
- The unrestricted net position of the City's governmental activities has a balance of negative \$8,679,470 due primarily to noncurrent liabilities related to net pension and other postemployment benefit (OPEB) liabilities.
- Income taxes decreased \$108,502 or 1.49%.
- Total fund balances of governmental activities decreased by \$101,530 or 0.81%.
- Governmental fund revenues decreased \$742,291 or 5.22% and governmental fund expenditures increased \$294,224 or 2.21%.
- The net position of the City's business-type activities increased by \$486,893 or 12.06%.
- Total revenue of business-type activities increased \$468,937 or 16.33% and total expenses decreased \$56,537 or 1.94%.
- The General Fund balance decreased \$1,582,436 or 16.17%.
- The General Fund revenues decreased \$34,913 or 0.28% and expenditures increased \$835,133 or 8.38%.

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 2018?" 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, 2018

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 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.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
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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 following table presents condensed information on Net Position for the year:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017-restated	2018	2017-restated	2018	2017-restated
Current and other assets	\$ 17,477,527	\$ 17,211,920	\$ 3,974,118	\$ 3,321,662	\$ 21,451,645	\$ 20,533,582
Capital assets, net	35,694,849	35,470,496	2,342,298	2,429,236	38,037,147	37,899,732
Total assets	<u>53,172,376</u>	<u>52,682,416</u>	<u>6,316,416</u>	<u>5,750,898</u>	<u>59,488,792</u>	<u>58,433,314</u>
Deferred outflows of resources:						
Pensions	2,038,926	3,387,230	184,836	441,771	2,223,762	3,829,001
Other postemployment benefits	1,044,133	48,096	38,441	7,053	1,082,574	55,149
Total deferred outflows of resources	<u>3,083,059</u>	<u>3,435,326</u>	<u>223,277</u>	<u>448,824</u>	<u>3,306,336</u>	<u>3,884,150</u>
Current and other liabilities	814,094	683,240	327,759	348,240	1,141,853	1,031,480
Long-term liabilities:						
Due within one year	584,559	806,722	76,567	101,631	661,126	908,353
Due in more than one year	21,728,170	21,763,174	1,389,608	1,697,648	23,117,778	23,460,822
Total liabilities	<u>23,126,823</u>	<u>23,253,136</u>	<u>1,793,934</u>	<u>2,147,519</u>	<u>24,920,757</u>	<u>25,400,655</u>
Deferred inflows of resources:						
Property taxes	2,261,937	2,256,007	-	-	2,261,937	2,256,007
Pensions	1,463,772	445,729	183,015	15,850	1,646,787	461,579
Other postemployment benefits	277,387	-	39,498	-	316,885	-
Total deferred inflows of resources	<u>4,003,096</u>	<u>2,701,736</u>	<u>222,513</u>	<u>15,850</u>	<u>4,225,609</u>	<u>2,717,586</u>
Net position:						
Invested in capital assets, net	35,694,849	35,470,496	2,342,298	2,429,236	38,037,147	37,899,732
Restricted	2,110,137	2,065,444	-	-	2,110,137	2,065,444
Unrestricted	(8,679,470)	(7,373,070)	2,180,948	1,607,117	(6,498,522)	(5,765,953)
Total net position	<u>\$ 29,125,516</u>	<u>\$ 30,162,870</u>	<u>\$ 4,523,246</u>	<u>\$ 4,036,353</u>	<u>\$ 33,648,762</u>	<u>\$ 34,199,223</u>

The net pension liability is one of the largest liabilities reported by the City at December 31, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27". For 2018, the City adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension" (OPEB), which revises accounting for costs and liabilities related to

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2018

other postemployment benefits (OPEB). GASB Statement No. 75 and GASB Statement No. 68 required the City to recognize a liability of \$10.0 million for OPEB and \$11.8 million for pension. For reasons discussed below, these liabilities serve 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 OPEB and the net pension and OPEB liabilities to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB. The resulting net position would be \$54,156,704, which is \$20.5 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. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law or actuarially determined, which may or may not be sufficient to fully fund each plan's *net pension liability or net OPEB liability*. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension / OPEB plans and state law governing those systems require additional explanation to properly understand the information presented in these statements. GASB Statements No. 68 and 75 require the net pension liability and the net OPEB liability to equal the City's share of each plan's:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. In Ohio, the employee shares the obligation of funding pension and OPEB 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 Ohio revised code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. 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 plans. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension and OPEB system *as against the public employer*. State law

CITY OF OAKWOOD, OHIO
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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 and OPEB system is responsible for the administration of the plans.

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 and net OPEB liability. As explained above, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net pension and OPEB liabilities, 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/OPEB 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 and net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$42,553,737 to \$34,199,223.

For 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total of \$33.6 million. This represents a decrease of 1.61% from the prior year. The unrestricted net position is a negative balance of \$6,498,522.

Explanations for larger fluctuations between years are as follows:

- The impact of the increased pension and OPEB liabilities resulting in pension and OPEB expense of \$2.6 million.
- The impact of the sanitary sewer rate billing increase on Charges for Services resulting in an increase of \$520,479 (41%).

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The following table presents condensed information on Changes in Net Position for the year:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 2,410,940	\$ 2,385,912	\$ 3,307,811	\$ 2,848,635	\$ 5,718,751	\$ 5,234,547
Operating grants & contributions	557,608	456,109	-	-	557,608	456,109
Capital grants & contributions	-	762,402	-	-	-	762,402
General revenues:						
Income taxes	7,253,007	7,230,678	-	-	7,253,007	7,230,678
Property taxes	2,536,598	2,435,964	-	-	2,536,598	2,435,964
Unrestricted grants & contributions	667,429	593,068	-	-	667,429	593,068
Investment earnings	140,996	97,282	24,570	14,478	165,566	111,760
Miscellaneous	180,245	191,292	8,798	9,129	189,043	200,421
Total revenues	<u>13,746,823</u>	<u>14,152,707</u>	<u>3,341,179</u>	<u>2,872,242</u>	<u>17,088,002</u>	<u>17,024,949</u>
Program Expenses						
Security of persons and property	9,339,799	6,045,477	-	-	9,339,799	6,045,477
Public health services	91,812	104,930	-	-	91,812	104,930
Leisure time activities	763,839	1,164,919	-	-	763,839	1,164,919
Community environment	1,345,049	2,052,506	-	-	1,345,049	2,052,506
Transportation	817,220	1,040,737	-	-	817,220	1,040,737
General government	1,851,336	2,729,091	-	-	1,851,336	2,729,091
Public works	556,615	704,073	-	-	556,615	704,073
Interest and fiscal charges	18,507	19,225	-	-	18,507	19,225
Water	-	-	1,064,790	1,179,774	1,064,790	1,179,774
Sewer	-	-	1,474,755	1,435,197	1,474,755	1,435,197
Stormwater	-	-	314,741	295,852	314,741	295,852
Total expenses	<u>14,784,177</u>	<u>13,860,958</u>	<u>2,854,286</u>	<u>2,910,823</u>	<u>17,638,463</u>	<u>16,771,781</u>
Changes in net position	(1,037,354)	291,749	486,893	(38,581)	(550,461)	253,168
Net position, beginning of year, restated	<u>30,162,870</u>	<u>N/A</u>	<u>4,036,353</u>	<u>N/A</u>	<u>34,199,223</u>	<u>N/A</u>
Net position, end of year	<u>\$ 29,125,516</u>	<u>\$ 30,162,870</u>	<u>\$ 4,523,246</u>	<u>\$ 4,036,353</u>	<u>\$ 33,648,762</u>	<u>\$ 34,199,223</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$55,149 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expense of \$827,203. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

CITY OF OAKWOOD, OHIO
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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total 2018 operating expenses GASB Statement No. 75	\$ 14,784,177	\$ 2,854,286	\$ 17,638,463
OPEB expense under GASB Statement No. 75	(783,450)	(43,753)	(827,203)
2018 contractually required contributions	<u>15,367</u>	<u>-</u>	<u>15,367</u>
Adjusted 2018 operating expenses	14,016,094	2,810,533	16,826,627
Total 2017 operating expenses GASB Statement No. 45	<u>13,860,958</u>	<u>2,910,823</u>	<u>16,771,781</u>
Change in operating expenses not related to OPEB	<u>\$ 155,136</u>	<u>\$ (100,290)</u>	<u>\$ 54,846</u>

The following table 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.

ANALYSIS OF PROGRAM EXPENSES
GOVERNMENTAL ACTIVITIES

	<u>Total Expense by Function / Program</u>	<u>Percentage of Total Program Expenses</u>	<u>Total Program Revenue</u>	<u>Net Expense of Function</u>	<u>Percentage of Function Financed with General Revenues</u>
<i>Program Expenses</i>					
Security of persons and property	\$ 9,339,799	63.17%	\$ (295,549)	\$ 9,044,250	96.84%
Public health services	91,812	0.62%	(1,726)	90,086	98.12%
Leisure time activities	763,839	5.17%	(491,887)	271,952	35.60%
Community environment	1,345,049	9.10%	(1,272,866)	72,183	5.37%
Transportation	817,220	5.53%	(529,943)	287,277	35.15%
General government	1,851,336	12.52%	(376,577)	1,474,759	79.66%
Public works	556,615	3.77%	-	556,615	100.00%
Interest and fiscal charges	18,507	0.12%	-	18,507	100.00%
	<u>\$ 14,784,177</u>	<u>100.00%</u>	<u>\$ (2,968,548)</u>	<u>\$ 11,815,629</u>	<u>79.92%</u>

As indicated by the table above, the City is spending more than half of its resources (72.27%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 63.17% of total program expenses, revenues generated by the public safety department cover only 3.16% of functional expenses. This means that general revenues collected by the City, principally income and property taxes, must cover the remaining 96.84% 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.

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General government functions, principally legislative, administration and judicial activities, comprise 12.52% 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 64.40% 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 78.41% of the total governmental revenues collected by the City during 2018. Principal components of general revenues; including income taxes (67.29%) and property taxes (23.53%), 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.

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 2018 experienced an operating income of \$99,173, compared to income of \$79,320 in 2017. 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, 2018 the unrestricted net position represented 59.19% of the operating expenses reported for 2018.

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 income of \$363,250 during 2018 as compared to operating loss of \$111,408 reported for 2017.

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 2018 of \$4,083 as compared to \$40,619 reported in 2017.

Overall, the City's business-type activities generated \$3.31 million in program revenue during 2018, while program expenses were \$2.85 million. The business-type activities incurred an overall increase in net position of \$486,893. It should be noted that the unrestricted net position of the business-type activities totaled \$2.18 million at the end of

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2018

2018. The amount of unrestricted net position for business-type activities reported at December 31, 2018 equaled 76.41% of the total expenses reported for business-type activities for 2018. 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 \$13.49 million and expenditures of \$13.59 million for 2018. In total, the governmental funds reported a \$101,530 decrease in total fund balance for the year. In 2017, the fund balance of the City's governmental funds increased by \$934,985. The increase in 2017 is primarily the result of the capital grant received for the Shroyer Road project of \$762,402. 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 December 31, 2018 were \$12.11 million, or 89.09% of the total expenditures reported for the governmental funds for 2018.

The City's General Fund realized a \$1,582,436 decrease in fund balance during 2018 as compared to the \$863,101 increase in 2017. 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 \$3,194,380 to other funds in 2018 as compared to \$1,618,889 to other funds in 2017.

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 \$10.52 million as compared to the actual revenues received of \$10.51 million. The City's variances in revenues received were from the following:

- Investment earnings were \$63,651 more than budget.

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 For the Year Ended December 31, 2018

The budgeted expenditures of the City changed from the original budget to the final budget by \$223,179. Actual expenditures were \$361,385 less than budgeted expenditures. For the year ended December 31, 2018 the total actual budgetary change in fund balance for the General Fund was a decrease of \$1,645,361 resulting in a reported \$6,007,189 ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 74.86% of the total budgetary expenditures of the General Fund for 2018.

Capital Assets

At the end of 2018, the City had a total of \$74.79 million invested in capital assets less accumulated depreciation of \$36.75 million resulting in total capital assets, net of accumulated depreciation of \$38.04 million.

During 2018, significant asset additions were as follows:

- Shafer Park Tennis Court and parking lot construction totaling \$836,453;
- Municipal Court software of \$115,919; and
- HVAC replacement at the City/Safety building and the Community Center totaling \$139,500.

The following table shows 2018 capital asset balances compared to those of 2017:

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Construction in progress	\$ -	\$ 49,862	\$ -	\$ -	\$ -	\$ 49,862
Land	4,824,164	4,824,164	283,820	283,820	5,107,984	5,107,984
Buildings	7,844,673	8,201,807	225,271	245,051	8,069,944	8,446,858
Land Improvements	1,879,351	1,140,523	65,837	34,179	1,945,188	1,174,702
Equipment	713,774	414,530	320,227	357,815	1,034,001	772,345
Vehicles	344,593	267,762	57,420	64,119	402,013	331,881
Infrastructure	<u>20,088,294</u>	<u>20,571,848</u>	<u>1,389,723</u>	<u>1,444,252</u>	<u>21,478,017</u>	<u>22,016,100</u>
Total	<u>\$ 35,694,849</u>	<u>\$ 35,470,496</u>	<u>\$ 2,342,298</u>	<u>\$ 2,429,236</u>	<u>\$ 38,037,147</u>	<u>\$ 37,899,732</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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments	\$ 11,972,189	\$ 2,912,978	\$ 14,885,167
Cash in segregated accounts	9,095	-	9,095
Receivables:			
Property taxes	2,284,097	-	2,284,097
Income taxes	2,561,608	-	2,561,608
Accounts	322,847	337,710	660,557
Special assessments	191,985	58,980	250,965
Interest	31,174	5,627	36,801
Intergovernmental	424,632	-	424,632
Prepaid expenses	181,077	19,612	200,689
Internal balances	(602,950)	602,950	-
Inventory	101,773	36,261	138,034
Nondepreciable capital assets	4,824,164	283,820	5,107,984
Depreciable capital assets (net of accumulated depreciation)	30,870,685	2,058,478	32,929,163
Total assets	\$ 53,172,376	\$ 6,316,416	\$ 59,488,792
Deferred Outflows of Resources			
Pensions	2,038,926	184,836	2,223,762
Other postemployment benefits	1,044,133	38,441	1,082,574
Total deferred outflows of resources	3,083,059	223,277	3,306,336
Liabilities			
Accounts payable	16,696	40,930	57,626
Contracts payable	44,039	1,385	45,424
Accrued wages payable	140,478	15,440	155,918
Intergovernmental payable	151,558	270,004	421,562
Unearned revenue - income tax credits	461,323	-	461,323
Long-term liabilities:			
Due within one year	584,559	76,567	661,126
Due within more than one year			
Net pension liability	11,048,475	764,458	11,812,933
Net other postemployment benefits	9,515,297	522,376	10,037,673
Other amounts	1,164,398	102,774	1,267,172
Total liabilities	23,126,823	1,793,934	24,920,757
Deferred Inflows of Resources			
Property taxes	2,261,937	-	2,261,937
Pensions	1,463,772	183,015	1,646,787
Other postemployment benefits	277,387	39,498	316,885
Total deferred inflows of resources	4,003,096	222,513	4,225,609
Net Position			
Net investment in capital assets	35,694,849	2,342,298	38,037,147
Restricted for:			
Capital purposes	482,353	-	482,353
Other purposes	1,576,085	-	1,576,085
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	1,699	-	1,699
Unrestricted	(8,679,470)	2,180,948	(6,498,522)
Total net position	\$ 29,125,516	\$ 4,523,246	\$ 33,648,762

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Activities

For the Year Ended December 31, 2018

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Security of persons and property	\$ 9,339,799	\$ 276,635	\$ 18,914	\$ (9,044,250)	\$ -	\$ (9,044,250)
Public health services	91,812	-	1,726	(90,086)	-	(90,086)
Leisure time activities	763,839	487,782	4,105	(271,952)	-	(271,952)
Community environment	1,345,049	1,272,866	-	(72,183)	-	(72,183)
Transportation	817,220	-	529,943	(287,277)	-	(287,277)
General government	1,851,336	373,657	2,920	(1,474,759)	-	(1,474,759)
Public works	556,615	-	-	(556,615)	-	(556,615)
Interest on long-term debt	18,507	-	-	(18,507)	-	(18,507)
Total governmental activities	\$ 14,784,177	\$ 2,410,940	\$ 557,608	(11,815,629)	-	(11,815,629)
Business-type activities:						
Water	1,064,790	1,150,982	-	-	86,192	86,192
Sewer	1,474,755	1,838,006	-	-	363,251	363,251
Stormwater	314,741	318,823	-	-	4,082	4,082
Total business-type activities	2,854,286	3,307,811	-	-	453,525	453,525
Total	\$ 17,638,463	\$ 5,718,751	\$ 557,608	(11,815,629)	453,525	(11,362,104)
General revenues:						
Taxes:						
Income taxes				7,253,007	-	7,253,007
Property taxes levied for:						
General purposes				2,449,946	-	2,449,946
Police and fire pension				86,652	-	86,652
Grants and contributions not restricted						
to specific programs				667,429	-	667,429
Investment earnings				140,996	24,570	165,566
Miscellaneous				180,245	8,798	189,043
Total general revenues				10,778,275	33,368	10,811,643
Change in net position				(1,037,354)	486,893	(550,461)
Net position, beginning of year - restated				30,162,870	4,036,353	34,199,223
Net position, end of year				\$ 29,125,516	\$ 4,523,246	\$ 33,648,762

CITY OF OAKWOOD, OHIO

Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 7,698,631	\$ 1,185,841	\$ 2,960,117	\$ 11,844,589
Cash in segregated accounts	8,083	-	1,012	9,095
Receivables:				
Property taxes	2,202,379	-	81,718	2,284,097
Income taxes	2,561,608	-	-	2,561,608
Accounts	258,494	-	64,352	322,846
Special assessments	26,076	-	165,909	191,985
Interest	29,514	-	1,660	31,174
Intergovernmental	223,821	-	200,811	424,632
Prepaid expenses	157,926	-	19,506	177,432
Inventory	22,347	-	48,970	71,317
Total assets	<u>13,188,879</u>	<u>1,185,841</u>	<u>3,544,055</u>	<u>17,918,775</u>
Liabilities				
Accounts payable	13,867	-	265	14,132
Contracts payable	30,651	7,331	6,057	44,039
Accrued wages payable	124,107	-	13,000	137,107
Intergovernmental payable	137,544	-	12,434	149,978
Unearned revenue - income tax credits	461,323	-	-	461,323
Total liabilities	<u>767,492</u>	<u>7,331</u>	<u>31,756</u>	<u>806,579</u>
Deferred Inflows of Resources				
Unavailable revenue - income taxes	1,617,517	-	-	1,617,517
Unavailable revenue - property taxes	2,202,379	-	81,718	2,284,097
Unavailable revenue - other	398,129	-	391,491	789,620
Total deferred inflows of resources	<u>4,218,025</u>	<u>-</u>	<u>473,209</u>	<u>4,691,234</u>
Fund Balances				
Nonspendable:				
Prepaid expenses and inventory	180,273	-	68,476	248,749
Unclaimed monies	15,155	-	-	15,155
Permanent Funds - Bullock Endowment	-	-	50,000	50,000
Restricted:				
Security of persons and property	-	-	636,909	636,909
Public health services	-	-	57,002	57,002
Leisure time activities	-	-	397,974	397,974
Community environment	-	-	1,699	1,699
Transportation	-	-	635,601	635,601
Municipal court activities	-	-	160,392	160,392
Committed:				
Capital projects fund	582,944	1,178,510	1,031,037	2,792,491
Assigned:				
General government for future appropriations	154,481	-	-	154,481
Unassigned:				
General fund	7,270,509	-	-	7,270,509
Total fund balances	<u>8,203,362</u>	<u>1,178,510</u>	<u>3,039,090</u>	<u>12,420,962</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,188,879</u>	<u>\$ 1,185,841</u>	<u>\$ 3,544,055</u>	<u>\$ 17,918,775</u>

CITY OF OAKWOOD, OHIO

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2018

Fund balance - total governmental funds		\$ 12,420,962
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.		32,822,048
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:		
Property and other taxes	22,160	
Income taxes	1,617,517	
Intergovernmental	381,758	
Special assessments	191,985	
Charges for services	203,763	
Interest	<u>12,114</u>	
		2,429,297
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.		2,729,906
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.		(602,950)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Police and fire pension	(422,349)	
Compensated absences payable	<u>(1,312,742)</u>	
		<u>(1,735,091)</u>
The net pension and other postemployment benefit liabilities other than pension (OPEB) are not due and payable in the current period; therefore, the liabilities and related deferred inflows / outflows are not reported in governmental funds:		
Deferred outflows - pension	1,998,222	
Deferred outflows - OPEB	1,035,667	
Deferred inflows - pension	(1,423,469)	
Deferred inflows - OPEB	(268,689)	
Net pension liability	(10,880,127)	
Net OPEB liability	<u>(9,400,260)</u>	
		<u>(18,938,656)</u>
Net position of governmental activities		\$ <u>29,125,516</u>

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, 2018

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Income taxes	\$ 7,197,932	\$ -	\$ -	\$ 7,197,932
Property taxes	2,382,440	-	154,100	2,536,540
Intergovernmental	483,597	-	581,123	1,064,720
Charges for services	1,880,562	-	148,985	2,029,547
Fines, licenses and permits	167,750	-	17,845	185,595
Special assessments	27,473	-	107,077	134,550
Investment earnings	127,868	-	12,533	140,401
Donations	3,170	-	15,892	19,062
Miscellaneous	142,528	3,284	34,434	180,246
Total revenues	12,413,320	3,284	1,071,989	13,488,593
Expenditures				
Security of persons and property	5,189,413	-	238,130	5,427,543
Public health services	-	-	138,909	138,909
Leisure time activities	1,027,490	-	88,758	1,116,248
Community environment	1,830,843	-	-	1,830,843
Transportation	-	-	1,042,945	1,042,945
General government	2,053,630	-	131,318	2,184,948
Capital outlay	700,000	650,703	462,043	1,812,746
Debt service:				
Principal retirement	-	-	17,434	17,434
Interest and fiscal charges	-	-	18,507	18,507
Total expenditures	10,801,376	650,703	2,138,044	13,590,123
Excess of revenues over (under) expenditures	1,611,944	(647,419)	(1,066,055)	(101,530)
Other financing sources (uses)				
Transfers in	-	1,504,376	1,690,004	3,194,380
Transfers out	(3,194,380)	-	-	(3,194,380)
Total other financing sources (uses)	(3,194,380)	1,504,376	1,690,004	-
Net change in fund balance	(1,582,436)	856,957	623,949	(101,530)
Fund balance, beginning of year	9,785,798	321,553	2,415,141	12,522,492
Fund balance, end of year	\$ 8,203,362	\$ 1,178,510	\$ 3,039,090	\$ 12,420,962

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, 2018

Net change in fund balances - total governmental funds	\$	(101,530)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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:</p>		
Capital asset additions	1,859,113	
Current year depreciation	(1,416,421)	442,692
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets. There were no proceeds.</p>		
		(6,283)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
		258,230
<p>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.</p>		
		17,434
<p>Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.</p>		
		1,016,957
<p>Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.</p>		
		15,367
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		(1,597,279)
<p>Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.</p>		
		(773,825)
<p>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.</p>		
		(237,859)
<p>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.</p>		
Compensated absences		(71,258)
Change in net position of governmental activities	\$	(1,037,354)

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2018

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
Assets					
Current assets:					
Pooled cash and investments	\$ 1,240,952	\$ 1,400,208	\$ 271,818	\$ 2,912,978	\$ 127,600
Receivables:					
Accounts	105,443	196,966	35,301	337,710	-
Special assessments	24,004	29,018	5,958	58,980	-
Interest	2,668	2,959	-	5,627	-
Prepaid expenses	9,650	6,799	3,163	19,612	3,645
Inventory	35,680	581	-	36,261	30,456
Total current assets	1,418,397	1,636,531	316,240	3,371,168	161,701
Noncurrent assets:					
Nondepreciable capital assets	283,820	-	-	283,820	25,840
Depreciable capital assets (net of accumulated depreciation)	1,001,567	1,019,926	36,985	2,058,478	2,846,961
Total noncurrent assets	1,285,387	1,019,926	36,985	2,342,298	2,872,801
Total assets	2,703,784	2,656,457	353,225	5,713,466	3,034,502
Deferred Outflows of Resources					
Pensions	91,248	56,314	37,274	184,836	40,704
Other postemployment benefits	18,977	11,712	7,752	38,441	8,466
Total deferred outflows of resources	110,225	68,026	45,026	223,277	49,170
Liabilities					
Current Liabilities:					
Accounts payable	40,930	-	-	40,930	2,564
Contracts payable	554	554	277	1,385	-
Accrued wages payable	7,341	4,561	3,538	15,440	3,371
Intergovernmental payable	9,379	258,437	2,188	270,004	1,579
Compensated absences payable	41,629	23,794	11,144	76,567	5,920
Total current liabilities	99,833	287,346	17,147	404,326	13,434
Noncurrent liabilities:					
Net pension liability	377,391	232,907	154,160	764,458	168,348
Net other postemployment benefits	257,882	159,152	105,342	522,376	115,037
Compensated absences payable	55,877	31,938	14,959	102,774	7,946
Total noncurrent liabilities	691,150	423,997	274,461	1,389,608	291,331
Total liabilities	790,983	711,343	291,608	1,793,934	304,765
Deferred Inflows of Resources					
Pensions	90,349	55,759	36,907	183,015	40,303
Other postemployment benefits	19,499	12,034	7,965	39,498	8,698
Total deferred inflows of resources	109,848	67,793	44,872	222,513	49,001
Net Position					
Net investment in capital assets	1,285,387	1,019,926	36,985	2,342,298	2,872,801
Unrestricted	627,791	925,421	24,786	1,577,998	(142,895)
Total net position	\$ 1,913,178	\$ 1,945,347	\$ 61,771	\$ 3,920,296	\$ 2,729,906
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	\$ 602,950
				Total net position from above	3,920,296
					\$ 4,523,246

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

For the Year Ended December 31, 2018

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<i>Operating Revenues</i>					
Charges for services	\$ 1,127,420	\$ 1,804,254	\$ 312,454	\$ 3,244,128	\$ 550,280
Fines, licenses and permits	-	-	-	-	-
Special assessments	23,562	33,751	6,368	63,681	-
Miscellaneous	8,798	-	-	8,798	-
Total operating revenues	1,159,780	1,838,005	318,822	3,316,607	550,280
<i>Operating Expenses</i>					
Personnel services	525,753	313,272	217,101	1,056,126	236,865
Contractual services	313,841	1,110,519	83,365	1,507,725	66,090
Supplies and materials	126,605	5,021	13,558	145,184	269,945
Claims	-	-	-	-	7,272
Miscellaneous	3,307	-	200	3,507	18,098
Depreciation	91,101	45,943	515	137,559	194,052
Total operating expenses	1,060,607	1,474,755	314,739	2,850,101	792,322
Operating income (loss)	99,173	363,250	4,083	466,506	(242,042)
<i>Non-operating revenues</i>					
Investment earnings	11,647	12,923	-	24,570	-
Change in net position	110,820	376,173	4,083	491,076	(242,042)
Net position, beginning of year - restated	1,802,358	1,569,174	57,688	2,971,948	2,971,948
Net position, end of year	\$ 1,913,178	\$ 1,945,347	\$ 61,771	\$ 2,729,906	\$ 2,729,906
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	(4,183)
				Change in net position of business-type activities	\$ 486,893

CITY OF OAKWOOD, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<i>Cash flows from operating activities</i>					
Cash received from customers	\$ 1,172,374	\$ 1,807,875	\$ 326,196	\$ 3,306,445	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	552,069
Cash received from other sources	8,798	-	-	8,798	-
Cash payments for employee services and benefits	(467,296)	(302,274)	(191,142)	(960,712)	(216,996)
Cash payments for insurance claims	-	-	-	-	(7,266)
Cash payments to suppliers for goods and services	(449,054)	(1,153,176)	(98,379)	(1,700,609)	(340,215)
Cash payments for other operating expenses	(3,307)	-	(200)	(3,507)	(94)
Net cash provided (used) by operating activities	261,515	352,425	36,475	650,415	(12,502)
<i>Cash flows from capital and related financing activities</i>					
Acquisition of capital assets	(13,121)	-	(37,500)	(50,621)	(5,300)
Net cash used for capital and related financing activities	(13,121)	-	(37,500)	(50,621)	(5,300)
<i>Cash flows from investing activities</i>					
Market gain (loss) on investments	(3,372)	(3,744)	-	(7,116)	-
Proceeds from earnings on investments	15,019	16,667	-	31,686	-
Net cash provided by investing activities	11,647	12,923	-	24,570	-
Net increase (decrease) in cash and investments	260,041	365,348	(1,025)	624,364	(17,802)
Equity in pooled cash and investments, beginning of year	980,911	1,034,860	272,843	2,288,614	145,402
Pooled cash and investments, end of year	\$ 1,240,952	\$ 1,400,208	\$ 271,818	\$ 2,912,978	\$ 127,600
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating income (loss)	\$ 99,173	\$ 363,250	\$ 4,083	\$ 466,506	\$ (242,042)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	91,101	45,943	515	137,559	194,052
Loss on disposal of equipment	-	-	-	-	23,304
Changes in assets and liabilities:					
Accounts receivable	20,654	(30,870)	7,372	(2,844)	1,800
Prepaid expenses	(7,195)	(4,995)	(3,000)	(15,190)	(3,202)
Inventory	(14,241)	-	-	(14,241)	(844)
Deferred outflows of resources - pension and OPEB	106,504	78,747	40,296	225,547	48,459
Accounts payable	8,443	-	-	8,443	(7,287)
Contracts payable	(29)	(29)	(4)	(62)	(1,390)
Accrued wages payable	1,112	597	803	2,512	541
Intergovernmental payable	3,739	(34,885)	(228)	(31,374)	(230)
Net pension and OPEB liability	(159,158)	(132,055)	(56,675)	(347,888)	(73,465)
Compensated absences payable	9,215	4,118	1,451	14,784	2,248
Deferred inflows of resources - pensions and OPEB	102,197	62,604	41,862	206,663	45,554
Net cash provided (used) by operating activities	\$ 261,515	\$ 352,425	\$ 36,475	\$ 650,415	\$ (12,502)

CITY OF OAKWOOD, OHIO

Statement of Assets and Liabilities

Agency Funds

December 31, 2018

	Martin Luther King Jr. Community Recognition Fund	Municipal Court Fund
	<u> </u>	<u> </u>
<i>Assets</i>		
Pooled cash and investments	\$ 7,507	\$ -
Cash in segregated accounts	<u>-</u>	<u>26,728</u>
Total assets	<u>\$ 7,507</u>	<u>\$ 26,728</u>
<i>Liabilities</i>		
Deposits held and due to others	<u>7,507</u>	<u>26,728</u>
Total liabilities	<u>\$ 7,507</u>	<u>\$ 26,728</u>



CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 reporting entity consists of (a) the primary government, i.e. the City; (b) organizations for which the City is financially accountable, and (c) governmental organizations for which the City is not financially accountable, but for which the nature and significance of their financial relationship with the City are such that exclusion would cause the reporting entity’s statements to be misleading or incomplete.

The accompanying financial statements present the primary government and its component units, entities that are legally separate organizations for which the primary government is financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the City’s operations. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The component unit has a fiscal year end of December 31.

Blended Component Unit: City of Oakwood Health District

The City of Oakwood Health District was created in 1931 by Oakwood City Council and its governing body, the Oakwood Board of Health, was established on July 1, 1960, when the City adopted its first charter. The Health District addresses all issues related to public health including overseeing the inspections of homes for sale, rental properties, food service operations, retail food establishments, public swimming pools, schools, the municipal jail, and response to public health complaints and nuisances. The financial data of the Health District is reported as part of the primary government because it is fiscally dependent upon the City. Although the Health District is a separate legal entity for financial reporting purposes, it is part of the City and is included in the Other Governmental Funds. Fund statements are available from the city of Oakwood.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, the governmental fund payables and accrued liabilities that, once occurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension / OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension / OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension and OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the benefit terms. The pension and OPEB plans report investments at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 5 and 6).

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 \$2,110,137 in restricted net position, none was restricted by enabling legislation.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 the City of Oakwood Health District, a blended component unit, and 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 “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 2018 amounted to \$165,566. This amount includes a decrease of \$46,391 to reflect the market value of the City’s investments at December 31, 2018.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits: At year end, the City’s bank balance was \$6,269,738. Of the bank balance, \$755,028 was insured by federal deposit insurance; the remaining \$5,514,710 was collateralized through participation in the Ohio Pooled Collateral System (OPCS). Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

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

	Fair Value	Investment Maturities (in Years)	
		Less than One Year	One to Five Years
Federal Home Loan Mortgage Corp	\$ 4,962,171	\$ 445,811	\$ 4,516,360
Federal Home Loan Bank Step	1,991,400	-	1,991,400
Federal National Mortgage Association	1,543,510	797,080	746,430
United State Treasury Notes	499,020	499,020	-
Total	\$ 8,996,101	\$ 1,741,911	\$ 7,254,190

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; except the United States Treasury Notes which are Level 1 inputs.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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	55.16%
Federal Home Loan Bank Step	22.13%
Federal National Mortgage Association	17.16%
United State Treasury Notes	5.55%

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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 3 – RECEIVABLES AND PAYABLES (Continued)

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 31st on the assessed value listed as of the prior December 31st. 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, 2017
Lien date	December 31, 2017
First installment payment due	February 16, 2018
Second installment payment due	July 20, 2018

The assessed values for the City at December 31, 2017 were as follows:

	<u>Assessed Value</u>
Real Estate	\$332,174,920
Tangible Personal Property	<u>2,451,520</u>
Total	<u>\$334,626,440</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.

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, 2018 were:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 3 – RECEIVABLES AND PAYABLES (Continued)

	Governmental Funds	
	Receivables	Deferred Inflows of Resources
Property taxes	\$ 2,284,097	\$ 2,284,097
Income taxes	2,561,608	1,617,517
Accounts receivable	322,846	203,762
Special assessments	191,985	191,985
Interest	31,174	12,114
Intergovernmental	<u>424,632</u>	<u>381,759</u>
	<u>\$ 5,816,342</u>	<u>\$ 4,691,234</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, 2018 were:

Governmental Funds Payables	
Accounts payable	\$ 14,132
Contracts payable	44,039
Accrued wages	137,107
Intergovernmental	<u>149,978</u>
	<u>\$ 345,256</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, 2018

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 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	49,862	105,034	(154,896)	-
Non-depreciable capital assets	4,874,026	105,034	(154,896)	4,824,164
Depreciable capital assets:				
Buildings	15,128,840	137,962	-	15,266,802
Land Improvements	2,037,092	836,453	-	2,873,545
Equipment	2,279,527	411,330	(48,550)	2,642,307
Vehicles	2,612,156	126,437	(119,090)	2,619,503
Infrastructure	36,793,387	378,789	-	37,172,176
Depreciable capital assets	58,851,002	1,890,971	(167,640)	60,574,333
Less accumulated depreciation:				
Buildings	(6,927,033)	(495,096)	-	(7,422,129)
Land Improvements	(896,569)	(97,625)	-	(994,194)
Equipment	(1,864,997)	(105,803)	42,267	(1,928,533)
Vehicles	(2,344,394)	(49,606)	119,090	(2,274,910)
Infrastructure	(16,221,539)	(862,343)	-	(17,083,882)
Accumulated depreciation	(28,254,532)	(1,610,473)	161,357	(29,703,648)
Depreciable capital assets, net	30,596,470	280,498	(6,283)	30,870,685
Governmental activities capital assets, net	\$ 35,470,496	\$ 385,532	\$ (161,179)	\$ 35,694,849

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 596,699
General government	534,094
Security of persons and property	63,439
Community environment	41,170
Transportation	146,245
Leisure time activities	34,774
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	194,052
Total depreciation expense - governmental activities	\$ 1,610,473

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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	836,702	-	-	836,702
Land Improvements	127,534	37,500	-	165,034
Equipment	2,971,689	13,122	-	2,984,811
Vehicles	414,584	-	(47,382)	367,202
Infrastructure	4,750,102	-	-	4,750,102
Depreciable capital assets	<u>9,100,611</u>	<u>50,622</u>	<u>(47,382)</u>	<u>9,103,851</u>
Less accumulated depreciation:				
Buildings	(591,651)	(19,780)	-	(611,431)
Land Improvements	(93,355)	(5,842)	-	(99,197)
Equipment	(2,613,874)	(50,710)	-	(2,664,584)
Vehicles	(350,465)	(6,699)	47,382	(309,782)
Infrastructure	(3,305,850)	(54,529)	-	(3,360,379)
Accumulated depreciation	<u>(6,955,195)</u>	<u>(137,560)</u>	<u>47,382</u>	<u>(7,045,373)</u>
Depreciable capital assets, net	<u>2,145,416</u>	<u>(86,938)</u>	<u>-</u>	<u>2,058,478</u>
Business-type Activities capital assets, net	<u>\$ 2,429,236</u>	<u>\$ (86,938)</u>	<u>\$ -</u>	<u>\$ 2,342,298</u>

NOTE 5 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability and Net Other Postemployment Benefits (OPEB) Liability

Pensions and OPEB 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 net pension liability and the net OPEB liability represent the City’s proportionate share of each pension and OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and OPEB plan’s fiduciary net position. The net pension and OPEB 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, 2018

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 and OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB Statement No. 68 and No. 75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension and OPEB liability. Resulting adjustments to the net pension and OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes pension disclosures. See Note 6 for the OPEB disclosures.

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 and combined plans. 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, 2018

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

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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

	<u>State and Local</u>
2018 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee	10.00%
2018 Actual Contribution Rates	
Employer:	
Pension	14.00%
Post-employment Health Care Benefits	<u>0.00%</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 \$543,760 for 2018. Of this amount \$63,994 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 (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 after 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 (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	<u>Safety Officers</u>
2018 Statutory Maximum Contribution Rates	
Employer	19.50%
Employee	12.25%
2018 Actual Contribution Rates	
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, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

The City's contractually required contribution to OPF was \$583,961 for 2018. Of this amount \$67,062 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, 2018, the specific liability of the City was \$422,349 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017 to December 31, 2017. 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 of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the Net Pension Liability	\$ 4,328,740	\$ 7,484,193	\$ 11,812,933
Proportion of the Net Pension Liability Current Measurement Date	0.0291840%	0.1219430%	0.1511270%
Proportion of the Net Pension Liability Prior Measurement Date	<u>0.0290750%</u>	<u>0.1180120%</u>	<u>0.1470870%</u>
Change in Proportionate Share	0.0001090%	0.0039310%	0.0040400%
Pension Expense	\$ 958,421	\$ 852,514	\$ 1,810,935

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of resources:			
Differences between expected and actual experience	\$ 4,676	\$ 113,578	\$ 118,254
Changes in assumptions	451,073	326,126	777,199
Changes in employer proportionate share of net pension liability	11,414	189,174	200,588
Contributions subsequent to the measurement date	543,760	583,961	1,127,721
Total Deferred Outflows of Resources	\$ 1,010,923	\$ 1,212,839	\$ 2,223,762
Deferred Inflows of resources:			
Differences between expected and actual experience	\$ 90,225	\$ 13,539	\$ 103,764
Net difference between projected and actual earnings on pension plan investments	982,923	258,896	1,241,819
Changes in employer proportionate share of net pension liability	19,491	281,713	301,204
Total Deferred Inflows of Resources	\$ 1,092,639	\$ 554,148	\$ 1,646,787

\$1,127,721 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, 2019. 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>OPF</u>	<u>Total</u>
2019	\$ 302,059	\$ 152,923	\$ 454,982
2020	(90,812)	84,857	(5,955)
2021	(432,827)	(183,297)	(616,124)
2022	(403,896)	(122,305)	(526,201)
2023	-	113,829	113,829
Thereafter	-	28,723	28,723
Total	\$ (625,476)	\$ 74,730	\$ (550,746)

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS

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

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, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB Statement No. 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

OPERS Traditional Plan

Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% - 10.75% including wage inflation
COLA or Ad Hoc COLA:	
Pre 1/7/2013 Retirees	3.00% Simple
Post 1/7/2013 Retirees	3.00% Simple through 2018 then 2.15% Simple
Investment Rate of Return	7.50%
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 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%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other investments	<u>18.00%</u>	5.26%
Total	<u>100.00%</u>	5.66%

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
City's proportionate share of the net pension liability:			
OPERS	\$ 7,254,559	\$ 4,328,740	\$ 1,617,377

Changes between Measurement Date and Report Date – There have been no OPERS pension plan amendments adopted or changes in assumptions between the measurement date and the report date that have impacted the actuarial valuation studies for the pension plan for the measurement date.

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	<u>January 1, 2017</u>	<u>January 1, 2016</u>
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.00%	8.25%
Projected Salary Increases	3.75% - 10.50%	4.25% - 11.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%	Inflation rate of 3.25% plus productivity increase rate of 0.50%
Cost-of-Living Adjustments	3.00% Simple; 2.20% simple for increases based on the lessor of the increase in CPI and 3.00%	3.00% Simple; 2.60% simple for increases based on the lessor of the increase in CPI and 3.00%

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Safety Officer</u>
67 or less	77.00%
68 - 77	105.00%
78 and up	115.00%

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Safety Officer</u>
59 or less	35.00%
60 - 69	60.00%
70 - 79	75.00%
80 and up	100.00%

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

For the January 1, 2016, valuation, rates of death was based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. 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 geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric

* Levered 2x

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Discount Rate – The total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00 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 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
City's proportionate share of the net pension liability			
OPF	\$ 10,375,053	\$ 7,484,193	\$ 5,126,431

Changes between Measurement Date and Report Date – There have been no pension plan amendments adopted or changes in assumptions between the measurement date and the report date that have impacted the actuarial valuation studies for the pension plan for the measurement date.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 6 – NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Ohio Public Employees Retirement System OPEB

Plan Description – The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

Ohio Police and Fire Pension Fund OPEB

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. 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 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Beginning January 1, 2019, OPF is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OPF will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OPF was \$15,367 for 2018.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportionate share of the Net OPEB Liability	\$ 3,128,553	\$ 6,909,120	\$ 10,037,673
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02881000%	0.12194300%	0.15075300%
Prior Measurement Date	<u>0.02886127%</u>	<u>0.11801200%</u>	<u>0.14687327%</u>
Change in Proportionate Share	-0.00005127%	0.00393100%	0.00387973%
OPEB Expense	\$ 262,042	\$ 565,161	\$ 827,203

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of resources:			
Differences between expected and actual experience	\$ 2,437	\$ -	\$ 2,437
Changes in assumptions	227,792	674,183	901,975
Changes in employer proportionate share of net OPEB liability	-	162,795	162,795
Contributions subsequent to the measurement date	-	<u>15,367</u>	<u>15,367</u>
Total Deferred Outflows of Resources	<u>\$ 230,229</u>	<u>\$ 852,345</u>	<u>\$ 1,082,574</u>
Deferred Inflows of resources:			
Differences between expected and actual experience	\$ -	\$ 34,847	\$ 34,847
Net difference between projected and actual earnings on OPEB plan investments	233,055	45,479	278,534
Changes in employer proportionate share of net OPEB liability	<u>3,504</u>	<u>-</u>	<u>3,504</u>
Total Deferred Inflows of Resources	<u>\$ 236,559</u>	<u>\$ 80,326</u>	<u>\$ 316,885</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

\$15,367 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31:</u>	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
2019	\$ 50,134	\$ 105,901	\$ 156,035
2020	50,134	105,901	156,035
2021	(48,335)	105,901	57,566
2022	(58,264)	105,901	47,637
2023	-	117,271	117,271
Thereafter	-	215,777	215,777
Total	<u>\$ (6,331)</u>	<u>\$ 756,652</u>	<u>\$ 750,321</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% - 10.75% including wage inflation
Single Discount Rate:	
Current Measurement Date	3.85%
Prior Measurement Date	4.23%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5%, initial
	3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

term expected real rates of return:

<u>Asset Class</u>	Target <u>Allocation</u>	Weighted Average Long Term Expected <u>Real Rate of Return</u> (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
Real Estate Investment Trust	6.00%	5.91%
International Equities	22.00%	7.88%
Other investments	<u>17.00%</u>	5.39%
Total	<u>100.00%</u>	4.98%

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

	1% Decrease <u>(2.85%)</u>	Current Discount Rate <u>(3.85%)</u>	1% Increase <u>(4.85%)</u>
City's proportionate share of the net OPEB liability:			
OPERS	\$ 4,156,419	\$ 3,128,553	\$ 2,297,021

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability:			
OPERS	\$ 2,993,359	\$ 3,128,553	\$ 3,268,206

Changes between Measurement Date and Report Date – There have been no OPERS OPEB plan amendments adopted or changes in assumptions that would have impacted the actuarial valuation studies for health care as of the measurement date.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Actuarial Assumptions – OPF

OPF’s total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF’s actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% - 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current Measurement Date	3.24%
Prior Measurement Date	3.79%
Cost-of-Living Adjustments	3.00% Simple; 2.20% 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, 2018

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

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Safety Officer</u>
67 or less	77.00%
68 - 77	105.00%
78 and up	115.00%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Safety Officer</u>
59 or less	35.00%
60 - 69	60.00%
70 - 79	75.00%
80 and up	100.00%

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. 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 geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017, are summarized below:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

Note: Assumptions are geometric

* Levered 2x

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

Discount Rate – The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OPF's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(2.24%)</u>	<u>(3.24%)</u>	<u>(4.24%)</u>
City's proportionate share of the net OPEB liability:			
OPF	\$ 8,636,483	\$ 6,909,120	\$ 5,579,989

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

<u>Year</u>	<u>Non-Medicare</u>	<u>Non-AARP</u>	<u>AARP</u>	<u>Rx Drug</u>	<u>Medicare Part B</u>
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability:			
OPF	\$ 5,367,128	\$ 6,909,120	\$ 8,987,202

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Changes between Measurement Date and Report Date – In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

Other Employee Benefits – Compensated Absences:

Accumulated Unpaid Vacation and Sick Leave

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 \$515,445 at December 31, 2018.

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 \$990,504 at December 31, 2018.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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	\$	85,846
Capital improvement fund		102,593
Other governmental funds		158,915
Internal Service Funds		2,600
Enterprise Funds		<u>392,239</u>
Total	\$	<u><u>742,193</u></u>

NOTE 8 – TRANSFERS

The following is a summary of transfers in and out for all funds in 2018:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ -	\$ 3,194,380
Capital improvement	\$ 1,504,376	\$ -
Other governmental	<u>1,690,004</u>	<u>-</u>
Total transfers	<u><u>\$ 3,194,380</u></u>	<u><u>\$ 3,194,380</u></u>

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

NOTE 9 – 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, 2018

NOTE 10—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, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<u>Governmental Activities:</u>					
Police and Fire Pension	\$ 439,783	\$ -	\$ 17,434	\$ 422,349	\$ 18,183
Compensated Absences Payable	<u>1,277,972</u>	<u>613,885</u>	<u>565,249</u>	<u>1,326,608</u>	<u>566,376</u>
Total	<u>\$ 1,717,755</u>	<u>\$ 613,885</u>	<u>\$ 582,683</u>	<u>\$ 1,748,957</u>	<u>\$ 584,559</u>
<u>Business-Type Activities:</u>					
Compensated Absences Payable	<u>\$ 164,557</u>	<u>\$ 92,477</u>	<u>\$ 77,693</u>	<u>\$ 179,341</u>	<u>\$ 76,567</u>
Total	<u>\$ 164,557</u>	<u>\$ 92,477</u>	<u>\$ 77,693</u>	<u>\$ 179,341</u>	<u>\$ 76,567</u>
Net Pension Liability:					
<u>Governmental Activities:</u>					
OPERS	\$ 5,454,449	\$ -	\$ 1,890,167	\$ 3,564,282	
OP&F	<u>7,474,762</u>	<u>9,431</u>	<u>-</u>	<u>7,484,193</u>	
Total	<u>\$ 12,929,211</u>	<u>\$ 9,431</u>	<u>\$ 1,890,167</u>	<u>\$ 11,048,475</u>	
<u>Business-Type Activities:</u>					
OPERS	<u>\$ 1,147,989</u>	<u>\$ -</u>	<u>\$ 383,531</u>	<u>\$ 764,458</u>	
Net Other Postemployment Benefits Liability:					
<u>Governmental Activities:</u>					
OPERS	\$ 2,321,166	\$ 285,011	\$ -	\$ 2,606,177	
OP&F	<u>5,601,764</u>	<u>1,307,356</u>	<u>-</u>	<u>6,909,120</u>	
Total	<u>\$ 7,922,930</u>	<u>\$ 1,592,367</u>	<u>\$ -</u>	<u>\$ 9,515,297</u>	
<u>Business-Type Activities:</u>					
OPERS	<u>\$ 486,733</u>	<u>\$ 35,643</u>	<u>\$ -</u>	<u>\$ 522,376</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.

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, 2018 were:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10 – LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS (continued)

Year Ending December 31,	Police and Fire Pension	
	Principal	Interest
2019	18,182	17,759
2020	18,964	16,978
2021	19,778	16,163
2022	20,628	15,314
2023	21,514	14,428
2024-2028	122,248	57,458
2029-2033	150,856	28,850
2034-2035	50,179	2,114
Total	\$ 422,349	\$ 169,064

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, 2018, the City had legal debt margin for total debt of \$25,096,983 and a legal debt margin for unvoted debt of \$8,365,661.

NOTE 11 – 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 47% through October 31, 2018 and 100% 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:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 11 – RISK MANAGEMENT (continued)

	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 2018, 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 \$7,272, \$10,325 and \$10,195 for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 12 – IMPLEMENTATIONS OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the City's postemployment benefit plan disclosures, as presented in Note 6 to the basic financial statements, and added required supplementary information which can be found following these notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 12 – IMPLEMENTATIONS OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (continued)

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

A net position restatement is required in order to implement GASB Statement No. 75. The governmental activities, business-type activities and internal service at January 1, 2018 have been restated as follows:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total</u>	<u>Internal Service Fund</u>		
Net Position as previously reported	\$ 38,037,704	\$ 4,516,033	\$ 2,039,162	\$ 1,715,318	\$ 154,420	\$ 3,908,900	\$ 3,077,582
Adjustments:							
Net OPEB Liability	(7,922,930)	(486,733)	(240,286)	(148,292)	(98,155)	(486,733)	(107,187)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>48,096</u>	<u>7,053</u>	<u>3,482</u>	<u>2,148</u>	<u>1,423</u>	<u>7,053</u>	<u>1,553</u>
Restated Net Position January 1, 2018	<u>\$ 30,162,870</u>	<u>\$ 4,036,353</u>	<u>\$ 1,802,358</u>	<u>\$ 1,569,174</u>	<u>\$ 57,688</u>	<u>\$ 3,429,220</u>	<u>\$ 2,971,948</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement has no effect on fund balances.



Required Supplementary Information

CITY OF OAKWOOD, OHIO

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees Retirement System</i>					
City's proportion of the net pension liability	0.029184%	0.029075%	0.029559%	0.029810%	0.029810%
City's proportionate share of the net pension liability	\$ 4,328,740	\$ 6,602,438	\$ 5,119,991	\$ 3,595,419	\$ 3,514,211
City's covered-employee payroll	\$ 3,856,408	\$ 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	112.25%	175.65%	131.58%	98.05%	84.69%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Ohio Police & Fire Pension Fund</i>					
City's proportion of the net pension liability	0.121943%	0.118012%	0.124664%	0.126194%	0.126194%
City's proportionate share of the net pension liability	\$ 7,484,193	\$ 7,474,762	\$ 8,019,723	\$ 6,537,381	\$ 6,146,049
City's covered-employee payroll	\$ 2,943,342	\$ 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	254.28%	264.83%	286.48%	235.20%	218.59%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	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.

Note: 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 for Net Pension Liability Last Five Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees Retirement System</i>					
Contractually required contributions to net pension	\$ 543,760	\$ 501,333	\$ 451,051	\$ 466,929	\$ 440,018
Contributions to net pension in relation to the contractually required contributions	<u>(543,760)</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758	\$ 3,891,075	\$ 3,666,814
Contributions to net pension as a percentage of covered-employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%
<i>Ohio Police & Fire Pension Fund</i>					
Contractually required contributions to net pension	\$ 583,961	\$ 559,235	\$ 536,276	\$ 531,886	\$ 528,114
Contributions to net pension in relation to the contractually required contributions	<u>(583,961)</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505	\$ 2,779,400	\$ 2,779,544
Contributions to net pension as a percentage of covered-employee payroll	19.00%	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.

CITY OF OAKWOOD, OHIO

Schedule of The City's Proportionate Share of the Net Postemployment Benefits Other Than Pension (OPEB) Liability Last Two Fiscal Years (1)

	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees Retirement System</i>		
City's proportion of the net OPEB liability	0.02881000%	0.02886127%
City's proportionate share of the net OPEB liability	\$ 3,128,554	\$ 2,807,899
City's covered-employee payroll	\$ 3,856,408	\$ 3,758,758
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	81.13%	74.70%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.04%
 <i>Ohio Police & Fire Pension Fund</i>		
City's proportion of the net OPEB liability	0.12194300%	0.11801200%
City's proportionate share of the net OPEB liability	\$ 6,909,120	\$ 5,601,764
City's covered-employee payroll	\$ 2,943,342	\$ 2,822,505
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	234.74%	198.47%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

(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 2017 is not available.

Note: 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 to Postemployment Benefits Other Than Pension (OPEB) Last Three Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees Retirement System</i>			
Contractually required contributions to OPEB	\$ -	\$ 42,244	\$ 79,738
Contributions to OPEB in relation to the contractually required contributions	<u>-</u>	<u>(42,244)</u>	<u>(79,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758
Contributions to OPEB as a percentage of covered-employee payroll	0.00%	1.10%	2.12%
<i>Ohio Police & Fire Pension Fund</i>			
Contractually required contributions to OPEB	\$ 15,367	\$ 14,458	\$ 14,294
Contributions to OPEB in relation to the contractually required contributions	<u>(15,367)</u>	<u>(14,458)</u>	<u>(14,294)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505
Contributions to OPEB as a percentage of covered-employee payroll	0.50%	0.49%	0.51%

(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 2016 is not available.

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, 2018

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income taxes	\$ 7,150,000	\$ 7,150,000	\$ 7,121,831	\$ (28,169)
Property taxes	2,692,500	2,692,500	2,678,746	(13,754)
Intergovernmental	279,148	279,148	253,831	(25,317)
Charges for services	114,175	114,175	113,381	(794)
Fines, licenses and permits	185,850	185,850	166,161	(19,689)
Investment earnings	65,000	65,000	128,651	63,651
Donations	3,450	3,450	2,920	(530)
Miscellaneous	27,400	27,400	40,101	12,701
Total revenues	10,517,523	10,517,523	10,505,622	(11,901)
Expenditures				
Current:				
Security of persons and property	5,434,164	5,434,164	5,273,054	161,110
Community environment	665,810	665,810	629,681	36,129
General government	2,062,630	2,285,809	2,121,663	164,146
Total expenditures	8,162,604	8,385,783	8,024,398	361,385
Excess of revenues over (under) expenditures	2,354,919	2,131,740	2,481,224	349,484
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers out	(4,082,287)	(4,155,067)	(4,126,585)	28,482
Total other financing sources (uses)	(4,082,287)	(4,155,067)	(4,126,585)	28,482
Net change in fund balance	(1,727,368)	(2,023,327)	(1,645,361)	377,966
Fund balance, beginning of year	7,652,550	7,652,550	7,652,550	-
Fund balance, end of year	\$ 5,925,182	\$ 5,629,223	\$ 6,007,189	\$ 377,966

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2018

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, 2018

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:

	General Fund
GAAP Basis	\$ (1,582,436)
Adjustments:	
Other fund balances included in governmental GAAP basis	122,880
Revenue accruals	(57,846)
Expenditure accruals	(111,844)
Encumbrances	(52,056)
Transfers	35,941
Budgetary Basis	<u>\$ (1,645,361)</u>

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2018

Note 4 – Pension Plans and Other Postemployment Benefits (OPEB)

Ohio Public Employees Retirement System (Traditional Plan) - Pension

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Ohio Police and Fire Pension Fund - Pension

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions - Net OPEB Liability

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions - Net OPEB Liability

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%.

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CITY OF OAKWOOD, OHIO



Yellow Book Report

December 31, 2018

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**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, 2018, 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 15, 2019, wherein we noted the City adopted GASB No. 75 as disclosed in Note 12.

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 15, 2019

OHIO AUDITOR OF STATE KEITH FABER



CITY OF OAKWOOD

MONTGOMERY 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 4, 2019**