



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF OAKWOOD
CUYAHOGA COUNTY

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VILLAGE OF OAKWOOD
CUYAHOGA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Village of Oakwood
Cuyahoga County
24800 Broadway Avenue
Oakwood, Ohio 44146

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Oakwood, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Oakwood, Cuyahoga County, Ohio, as of December 31, 2017 and 2016, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Street Construction, Maintenance and Repair Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report February 20, 2019, on our consideration of the Village'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. That 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 Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2019

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2017**

The discussion and analysis of the Village of Oakwood's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2017, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2017 are as follows:

- Net position of governmental activities increased by \$300,115, or 47.1 percent, from the prior year.
- The Village's general receipts are primarily property taxes, income taxes, grants and entitlements, and debt proceeds. These receipts represent 77 percent of total cash received for governmental activities.
- The Village's business-type activities is sanitary sewer. Net position increased by \$9,859. The Village's total disbursements for business-type activities decreased by \$17,046.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net position and statement of activities for 2016 reflect how the Village did financially within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Program receipts include charges paid by the recipient of the program services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function and business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, these changes are one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, consideration should be given to other nonfinancial factors as well, such as the Village's tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources, such as property and income taxes.

In the statement of net position and the statement of activities, the Village's financial statements are divided into two types of activities.

- *Governmental Activities* - Most of the Village's basic services are reported here, including Police, Fire, EMS, Streets, and Parks. Property and income taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
- *Business-type Activities* - The Village has one business-type activity: Sanitary Sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds, not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2017 are the General, Street Construction, Maintenance and Repair, and General Obligation Bond Retirement funds.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2017**

The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the Village reports on the cash basis.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's only enterprise fund, which is major, is the Sanitary Sewer fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The Government as a Whole

Table 1 provides a summary of the Village's net position for 2017 compared to 2016 on the cash basis.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 933,454	\$ 635,384	\$ 10,203	\$ 344	\$ 943,657	\$ 635,728
Cash and Cash Equivalents:						
In Segregated Accounts	1,464	1,464	0	0	1,464	1,464
With Escrow Agents	2,045	0	0	0	2,045	-
Total Assets	\$ 936,963	\$ 636,848	\$ 10,203	\$ 344	\$ 947,166	\$ 637,192
NET POSITION						
Restricted:						
Street Maintenance	\$ 236,151	\$ 3,363	\$ 0	\$ 0	\$ 236,151	\$ 3,363
Police and Fire	40,040	18,631	0	0	40,040	18,631
Debt Services	2,634	283	0	0	2,634	283
Capital Projects	18,172	2,738	0	0	18,172	2,738
Other Purposes	6,315	16,283	0	0	6,315	16,283
Unrestricted	633,651	595,550	10,203	344	643,854	595,894
Total Net Position	\$ 936,963	\$ 636,848	\$ 10,203	\$ 344	\$ 947,166	\$ 637,192

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Table 2 reflects the changes in net position in 2017 compared to 2016.

	Governmental Activities		Business Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<u>Receipts</u>						
Program Receipts						
Charges for Services	\$ 1,624,577	\$ 1,707,624	\$ 46,271	\$ 43,462	\$ 1,670,848	\$ 1,751,086
Operating Grants and Contributions	1,054,970	918,759	0	0	1,054,970	918,759
Total Program Receipts	<u>2,679,547</u>	<u>2,626,383</u>	<u>46,271</u>	<u>43,462</u>	<u>2,725,818</u>	<u>2,669,845</u>
General Receipts						
Property and Other Local Taxes	405,601	402,889	0	0	405,601	402,889
Income Taxes	6,806,049	6,640,358	0	0	6,806,049	6,640,358
Payments in Lieu of Taxes	9,226	0	0	0	9,226	0
Grants & Entitlements not restricted to specific programs	201,095	178,098	0	0	201,095	178,098
All Other Revenues	471,758	434,932	0	0	471,758	434,932
Debt Proceeds	2,848,940	2,617,766	0	0	2,848,940	2,617,766
Total General Receipts	<u>10,742,669</u>	<u>10,274,043</u>	<u>0</u>	<u>0</u>	<u>10,742,669</u>	<u>10,274,043</u>
Total Receipts	<u>13,422,216</u>	<u>12,900,426</u>	<u>46,271</u>	<u>43,462</u>	<u>13,468,487</u>	<u>12,943,888</u>
<u>Disbursements</u>						
Security of Persons and Property	4,167,527	4,044,103	0	0	4,167,527	4,044,103
Leisure Time Activities	392,491	363,859	0	0	392,491	363,859
Community Environment	265,273	255,653	0	0	265,273	255,653
Basic Utility Services	208,991	184,177	0	0	208,991	184,177
Transportation	1,182,177	728,465	0	0	1,182,177	728,465
General Government	3,225,337	2,862,460	0	0	3,225,337	2,862,460
Capital Outlay	651,490	1,389,145	0	0	651,490	1,389,145
Debt Service:						
Principal Retirement	2,830,811	3,012,918	713	712	2,831,524	3,013,630
Issuance Costs	125,897	0	0	0	125,897	0
Interest and Fiscal Charges	72,107	171,341	0	0	72,107	171,341
Sanitary Sewer	0	0	35,699	52,746	35,699	52,746
Total Disbursements	<u>13,122,101</u>	<u>13,012,121</u>	<u>36,412</u>	<u>53,458</u>	<u>13,158,513</u>	<u>13,065,579</u>
Change in Net Position	300,115	(111,695)	9,859	(9,996)	309,974	(121,691)
Net Position at January 1	<u>636,848</u>	<u>748,543</u>	<u>344</u>	<u>10,340</u>	<u>637,192</u>	<u>758,883</u>
Net Position at December 31	<u>\$ 936,963</u>	<u>\$ 636,848</u>	<u>\$ 10,203</u>	<u>\$ 344</u>	<u>\$ 947,166</u>	<u>\$ 637,192</u>

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Program receipts represent 20.2 percent of total receipts for 2017. They are primarily comprised of sanitary sewer fees, fines, recreation activity charges, and intergovernmental receipts such as motor vehicle license fees, gas tax money, license and permits, and charges to local governments for fire and EMS services. Program receipts increased by \$55,973 or 2.1 percent compared to the prior year.

General receipts represent 79.8 percent of the Village's total receipts for 2017. Property and other local taxes and income taxes represent 67.1 percent of the general receipts. Grants, entitlements, and proceeds from debt represent 28.4 percent of general receipts. The remaining portion of general receipts is made up of all other receipts. General receipts increased by \$468,626 or 4.6 percent compared to the prior year. The Village had an increase in the amount of income tax collected during 2017 and debt proceeds.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for other Village activities. These include the costs of Council, Mayor, Mayor's Court, Finance, and Council Clerk, as well as internal services such as payroll and purchasing. Disbursements for general government increase by \$362,877 or 12.7 percent compared to the prior year. The increase is due to higher health care cost.

Disbursements for Capital Outlay decreased by \$737,655 or 53.1 percent. The decrease is associated with funds utilized in 2016 for the Alexander Road Improvement project. Security of Persons and Property are the costs of police and fire protection, which increased by \$123,424 or 3.1 percent as compared to prior year.

Transportation expenses, the cost of maintaining roads increased by \$453,712 of 62.3 percent. The increase is due to a joint resurfacing project the Village did with the City of Solon.

Basic Utility Services, which are costs associated with the utilities of the Village; Leisure Time Activities are the costs of maintaining the parks and senior center; and Community Environment are the costs of regulating the construction of new and existing residential and commercial property.

Governmental Activities

The first column of the Statement of Activities lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Security of Persons and Property, Principal Retirement, and General Government, which account for 31.8, 21.6, and 24.6 percent of all governmental disbursements, respectively. The next two columns of the Statement titled Program Cash Receipts identifies amounts paid by people who are directly charged for the service, and for grants received by the Village that must be used to provide a specific service.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2017**

This “net cost” amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of service and the net cost is presented in Table 3.

Table 3 - Comparison of Total Cost and Net Cost of Services

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Security of Persons and Property	\$ 4,167,527	\$ 4,044,103	\$ (2,611,313)	\$ (2,432,986)
Leisure Time Activities	392,491	363,859	(340,076)	(363,859)
Community Environment	265,273	255,653	(250,892)	(232,599)
Basic Utility Services	208,991	184,177	(208,991)	(184,177)
Transportation	1,182,177	728,465	(295,016)	46,224
General Government	3,225,337	2,862,460	(3,055,961)	(2,644,937)
Capital Outlay	651,490	1,389,145	(651,490)	(1,389,145)
Debt Service:				
Principal Retirement	2,830,811	3,012,918	(2,830,811)	(3,012,918)
Issuance Costs	125,897	0	(125,897)	0
Interest and Fiscal Charges	72,107	171,341	(72,107)	(171,341)
Total Governmental Activities	<u>\$13,122,101</u>	<u>\$13,012,121</u>	<u>\$ (10,442,554)</u>	<u>\$ (10,385,738)</u>

The dependence upon property and other local taxes, income taxes and other general receipts is apparent as over 79.6 percent of the net cost of services for governmental activities is supported through these general receipts.

Business-type Activities

The Sanitary sewer operations of the Village are relatively small and routinely report receipts and cash disbursements that are relatively equal.

General Fund Budgeting Highlights

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

During 2017, the Village made amendments to its appropriation budget and receipts budget to reflect changing circumstances. Final budgeted receipts were more than original budgeted receipts due to an unanticipated increase in the income tax collections. The difference between final budgeted receipts and actual receipts was mostly due to an overestimate of income tax receipts.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Final budgeted disbursements for 2017 were higher than original budgeted disbursements. The increases of 2017 final budget disbursements were due to higher health care costs. Actual disbursements for 2017 were lower than final budgeted amounts. This was due to an effort on the behalf of the Village departments to reduce their spending.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt Administration

At December 31, 2017, the Village had \$3,635,000 in outstanding General Obligation and Special Assessment bonds, with \$325,000 due within one year. The Village had \$792,341 in loans with the Ohio Public Works Commission, with \$20,024 due within one year for improvements to streets and sewer utilities. See Note 8 to the financial statements for more detail.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. State funding is remaining about the same level as last year. In addition, it appears local government revenue will remain relatively constant.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Brian Thompson, Finance Director, Village of Oakwood, 24800 Broadway Avenue, Oakwood Village, Ohio 44146.

Financial Statements

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 933,454	\$ 10,203	\$ 943,657
Cash and Cash Equivalents:			
In Segregated Accounts	1,464	0	1,464
With Escrow Agents	<u>2,045</u>	<u>0</u>	<u>2,045</u>
Total Assets	<u>\$ 936,963</u>	<u>\$ 10,203</u>	<u>\$ 947,166</u>
NET POSITION			
Restricted:			
Street Maintenance	\$ 236,151	\$ 0	\$ 236,151
Police and Fire	40,040	0	40,040
Debt Services	2,634	0	2,634
Capital Projects	18,172	0	18,172
Other Purposes	6,315	0	6,315
Unrestricted	<u>633,651</u>	<u>10,203</u>	<u>643,854</u>
Total Net Position	<u>\$ 936,963</u>	<u>\$ 10,203</u>	<u>\$ 947,166</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF ACTIVITIES – CASH BASIS
DECEMBER 31, 2017**

	<u>Program Cash Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Net Position</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities							
Security of Persons and Property	\$ 4,167,527	\$ 1,556,214	\$ 0	\$ 0	\$ (2,611,313)	\$ 0	\$ (2,611,313)
Leisure Time Activities	392,491	52,415	0	0	(340,076)	0	(340,076)
Community Environment	265,273	14,381	0	0	(250,892)	0	(250,892)
Basic Utility Services	208,991	0	0	0	(208,991)	0	(208,991)
Transportation	1,182,177	0	887,161	0	(295,016)	0	(295,016)
General Government	3,225,337	1,567	167,809	0	(3,055,961)	0	(3,055,961)
Capital Outlay	651,490	0	0	0	(651,490)	0	(651,490)
Debt Service:							
Principal Retirement	2,830,811	0	0	0	(2,830,811)	0	(2,830,811)
Issuance Costs	125,897	0	0	0	(125,897)	0	(125,897)
Interest and Fiscal Charges	72,107	0	0	0	(72,107)	0	(72,107)
Total Governmental Activities	<u>13,122,101</u>	<u>1,624,577</u>	<u>1,054,970</u>	<u>0</u>	<u>(10,442,554)</u>	<u>0</u>	<u>(10,442,554)</u>
Business-Type Activities							
Sanitary Sewer	<u>36,412</u>	<u>46,271</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,859</u>	<u>9,859</u>
Total Business-type Activities	<u>36,412</u>	<u>46,271</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,859</u>	<u>9,859</u>
Total Primary Government	<u>\$ 13,158,513</u>	<u>\$ 1,670,848</u>	<u>\$ 1,054,970</u>	<u>0</u>	<u>(10,442,554)</u>	<u>9,859</u>	<u>(10,432,695)</u>
General Receipts							
Property and Other Local Taxes levied for:							
General Purposes					309,907	0	309,907
Debt Service Purpose					63,795	0	63,795
Other Purposes					31,899	0	31,899
Income Taxes levied for General Purposes					6,806,049	0	6,806,049
Payments in Lieu of Taxes					9,226	0	9,226
Grants & Entitlements not restricted to specific programs					201,095	0	201,095
All Other Revenues					471,758	0	471,758
Debt Proceeds					2,848,940	0	2,848,940
Total General Receipts and Transfers					<u>10,742,669</u>	<u>0</u>	<u>10,742,669</u>
Change in Net Position					300,115	9,859	309,974
Net Position - Beginning of Year					636,848	344	637,192
Net Position - End of Year					<u>\$ 936,963</u>	<u>\$ 10,203</u>	<u>\$ 947,166</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2017**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Obligation Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 634,897	\$ 236,151	\$ 134	\$ 62,272	\$ 933,454
Cash and Cash Equivalents:					
In Segregated Accounts	1,464	0	0	0	1,464
With Escrow Agents	2,045	0	0	0	2,045
Total Assets	<u>\$ 638,406</u>	<u>\$ 236,151</u>	<u>\$ 134</u>	<u>\$ 62,272</u>	<u>\$ 936,963</u>
FUND BALANCES					
Restricted for:					
Street Maintenance	\$ 0	\$ 236,151	\$ 0	\$ 0	\$ 236,151
Police Operations	0	0	0	2,246	2,246
Fire Operations	0	0	0	396	396
Police Pension	0	0	0	26	26
Drug and Alcohol Education and Enforcement	0	0	0	37,372	37,372
Mayor's Court	0	0	0	454	454
Debt Service	0	0	134	2,500	2,634
Capital Improvement	0	0	0	16,335	16,335
Other Purposes	0	0	0	1,198	1,198
Committed to:					
Recreation	0	0	0	401	401
Capital Improvement	0	0	0	1,837	1,837
Other Purposes	3,509	0	0	753	4,262
Assigned to:					
Other Purposes	13,503	0	0	0	13,503
Unassigned (Deficit)	621,394	0	0	(1,246)	620,148
Total Fund Balances	<u>\$ 638,406</u>	<u>\$ 236,151</u>	<u>\$ 134</u>	<u>\$ 62,272</u>	<u>\$ 936,963</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Street Construction Maintenance and Repair	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property and Local Taxes	\$ 309,907	\$ 0	\$ 63,795	\$ 31,899	\$ 405,601
Income Taxes	6,806,049	0	0	0	6,806,049
Intergovernmental Revenues	204,287	837,262	0	49,899	1,091,448
Special Assessments	0	0	0	164,617	164,617
Charges for Services	788,917	0	0	353,485	1,142,402
Fines, Licenses, and Permits	444,216	0	0	37,959	482,175
Payments in Lieu of Taxes	0	0	0	9,226	9,226
Miscellaneous	433,554	38,204	0	0	471,758
Total Receipts	8,986,930	875,466	63,795	647,085	10,573,276
DISBURSEMENTS					
Current:					
Security of Persons and Property	3,756,185	0	0	411,342	4,167,527
Leisure Time Activities	0	0	0	392,491	392,491
Community Environment	209,410	0	0	55,863	265,273
Basic Utility Services	208,991	0	0	0	208,991
Transportation	508,910	673,267	0	0	1,182,177
General Government	3,225,337	0	0	0	3,225,337
Capital Outlay	475,452	0	0	176,038	651,490
Debt Service:					
Principal Retirement	0	19,311	2,771,500	40,000	2,830,811
Issuance Costs	0	0	22,309	103,588	125,897
Interest and Fiscal Charges	0	0	53,415	18,692	72,107
Total Disbursements	8,384,285	692,578	2,847,224	1,198,014	13,122,101
Excess of Receipts					
Over (Under) Disbursements	602,645	182,888	(2,783,429)	(550,929)	(2,548,825)
OTHER FINANCING SOURCES (USES)					
Transfers - In	0	49,900	412,000	626,750	1,088,650
Transfers - Out	(1,038,750)	0	0	(49,900)	(1,088,650)
Proceeds from Sale of Notes	0	0	2,346,500	0	2,346,500
Premium on Debt Issued	0	0	24,943	0	24,943
Inception of Capital Lease	477,497	0	0	0	477,497
Total Other Financing Sources (Uses)	(561,253)	49,900	2,783,443	576,850	2,848,940
Net Change in Fund Balances	41,392	232,788	14	25,921	300,115
Fund Balances - Beginning of Year	597,014	3,363	120	36,351	636,848
Fund Balances - End of Year	\$ 638,406	\$ 236,151	\$ 134	\$ 62,272	\$ 936,963

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – BUDGET BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Local Taxes	\$ 335,000	\$ 335,000	\$ 309,907	\$ (25,093)
Income Taxes	6,112,049	6,702,493	6,806,049	103,556
Intergovernmental Revenues	183,456	201,179	204,287	3,108
Charges for Services	708,473	776,913	788,917	12,004
Fines, Licenses, and Permits	398,920	437,457	444,216	6,759
Miscellaneous	389,346	426,958	433,554	6,596
Total Revenues	<u>8,127,244</u>	<u>8,880,000</u>	<u>8,986,930</u>	<u>106,930</u>
Expenditures				
Current:				
Security of Persons and Property	3,854,531	3,807,189	3,766,079	41,110
Community Environment	270,092	210,962	211,372	(410)
Basic Utility Services	200,170	210,170	209,161	1,009
Transportation	550,190	513,990	510,300	3,690
General Government	3,040,821	3,253,950	3,231,886	22,064
Total Expenditures	<u>7,915,804</u>	<u>7,996,261</u>	<u>7,928,798</u>	<u>67,463</u>
Excess of Revenues Over(Under) Expenditures	<u>211,440</u>	<u>883,739</u>	<u>1,058,132</u>	<u>174,393</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(1,319,250)</u>	<u>(1,319,250)</u>	<u>(1,038,750)</u>	<u>280,500</u>
Total Other Financing Sources (Uses)	<u>(1,319,250)</u>	<u>(1,319,250)</u>	<u>(1,038,750)</u>	<u>280,500</u>
Net Change in Fund Balance	(1,107,810)	(435,511)	19,382	454,893
Fund Balance - Beginning of Year	570,960	570,960	570,960	0
Prior Year Encumbrances Appropriated	<u>19,965</u>	<u>19,965</u>	<u>19,965</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ (516,885)</u>	<u>\$ 155,414</u>	<u>\$ 610,307</u>	<u>\$ 454,893</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 282,127	\$ 1,907,941	\$ 837,262	\$ (1,070,679)
Miscellaneous	12,873	87,059	38,204	(48,855)
Total Revenues	<u>295,000</u>	<u>1,995,000</u>	<u>875,466</u>	<u>(1,119,534)</u>
Expenditures				
Current:				
Transportation	2,199,742	2,199,742	681,107	1,518,635
Debt Service:				
Principal Retirement	19,311	19,311	19,311	0
Total Expenditures	<u>2,219,053</u>	<u>2,219,053</u>	<u>700,418</u>	<u>1,518,635</u>
Excess of Revenues Over(Under) Expenditures	<u>(1,924,053)</u>	<u>(224,053)</u>	<u>175,048</u>	<u>399,101</u>
Other Financing Sources (Uses)				
Transfers In	305,000	305,000	49,900	(255,100)
Total Other Financing Sources (Uses)	<u>305,000</u>	<u>305,000</u>	<u>49,900</u>	<u>(255,100)</u>
Net Change in Fund Balance	(1,619,053)	80,947	224,948	144,001
Fund Balance - Beginning of Year	347	347	347	0
Prior Year Encumbrances Appropriated	3,017	3,017	3,017	0
Fund Balance - End of Year	<u>\$ (1,615,689)</u>	<u>\$ 84,311</u>	<u>\$ 228,312</u>	<u>\$ 144,001</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2017**

	<u>Enterprise Fund</u>
	<u>Sanitary Sewer</u>
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 10,203
NET POSITION	
Unrestricted	\$ 10,203

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
 FUND NET POSITION – CASH BASIS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise Fund
	Sanitary Sewer
OPERATING RECEIPTS	
Charges for Services	\$ 46,271
Total Operating Receipts	46,271
OPERATING DISBURSEMENTS	
Contractual Services	35,699
Total Operating Disbursements	35,699
Operating Income (Loss)	10,572
NONOPERATING (DISBURSEMENTS)	
Principal Retirement	(713)
Total Nonoperating (Disbursements)	(713)
Change in Net Position	9,859
Net Position - Beginning of Year	344
Net Position - End of Year	\$ 10,203

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF FIDUCIARY NET POSITION – CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 9,752
Cash and Cash Equivalents:	
in Segregated Accounts	<u>37,872</u>
Total Assets	<u>\$ 47,624</u>
Net Position	
Unrestricted	<u>\$ 47,624</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1: **REPORTING ENTITY**

The Village of Oakwood, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member Council elected for four-year terms. The Mayor is elected to a four-year term. The services provided by the Village are refuse collections (contracted), sanitary sewer utilities, income tax collections, park operations, and safety forces.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

A. **Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

B. **Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and **1)** the Village is able to significantly influence the programs or services performed or provided by the organization; or **2)** the Village is legally entitled to or can otherwise access the organization's resources; **3)** the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or **4)** the Village is obligated for the debt of the organization. The Village does not have any component units.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted (GAAP) in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies:

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents cash balances of the governmental activities and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are as follows:

General Fund - The general fund is the operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

General Obligation Bond Retirement Fund - This fund is used to retire and pay debt obligations. Funds are received from property tax revenue and transfers when scheduled from other funds.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village has one major enterprise fund.

Sanitary Sewer Fund – This fund is used to fund the operation of the Village’s pump station and any needed repairs relating to sewer and storm water. Funds are received from the collection of residents’ sewer bills.

Internal Service Funds – The Village does not maintain any internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village’s agency funds are: Maintenance Bond, Senior Center Rental, P.C. Deposit, Clearing, and Mayor’s Court.

C. Basis of Accounting

The Village’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities and the related expenses) are not recorded in these financial statements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

D. Budgetary Process

All funds, except 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 appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council.

The legal level of control has been established by Council at the personal services and other expenditures object levels within each department for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements 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 statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered 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 Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets as of December 31, 2017.

G. Inventories and Prepays

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected on the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Lease payments are reported when paid.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

The net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

During the year, the Village implemented the following Governmental Accounting Standards Board (GASB) Statements to the extent they apply their cash basis of accounting:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the Village.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Village.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The object of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

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

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual - Budgetary Basis presented for the General Fund, and Street Construction, Maintenance, and Repair Fund, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a component of fund balance (cash basis). The prior year encumbrances outstanding (budgetary basis) amounted to \$19,965 for the General Fund, and \$3,017 for the Street Construction, Maintenance, and Repair Fund. The current year encumbrances outstanding (budgetary basis) amounted to \$19,714 for the General Fund. The Street Construction, Maintenance, and Repair Fund had \$7,840 in year encumbrances.

The revenues, expenditures, and other financing sources and uses of the General Fund include activity that is budgeted within special revenue funds (cash basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in a decrease in fund balance of \$6,210.

NOTE 5: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VILLAGE OF OAKWOOD, OHIO
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Cash on Hand

At December 31, 2017, the Village had \$600 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village’s bank balance of \$1,132,589 was covered by Federal depository insurance in the amount of \$288,395 and \$844,194 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Village records all its investments at cost.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Village investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

State statute requires investments to have the highest possible rating by one of the national rating agency. The Village has no investment policy that would further limit its investment choices.

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Custodial Credit Risk

For an investment custodial credit risk is that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Concentration of Credit Risk

Safety of principal is the foremost objective of the Village's investment program. Investments of the Village's shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed income generated from the remainder of the portfolio. The Village's policy does not limit the percentage in any one investment.

NOTE 6: PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes. 2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$3.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	\$ 110,868,560
Public Utility	4,737,120
Total Valuation	\$ 115,605,680

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NOTE 7: LOCAL INCOME TAX

The Village levies a 2.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 2.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration. Income tax receipts, in the amount of \$6,806,049 were credited to the General Fund for 2017.

NOTE 8: OUTSTANDING DEBT

Outstanding debt at December 31, 2017 consisted of the following:

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017	Due within one year
Governmental Activities					
<u>General Obligation Notes</u>					
Various Purpose Notes, Series 2017:					
Service Department Improvement	\$ 310,500	\$ 295,500	\$ 310,500	\$ 295,500	\$ 295,500
Street Improvement	1,871,000	1,831,000	1,871,000	1,831,000	1,831,000
Various Purpose Notes	290,000	210,000	290,000	210,000	210,000
Equipment	20,000	10,000	20,000	10,000	10,000
Total General Obligation Notes	<u>\$2,491,500</u>	<u>\$2,346,500</u>	<u>\$ 2,491,500</u>	<u>\$2,346,500</u>	<u>\$ 2,346,500</u>
<u>Bonds</u>					
SA Street Improvement, 2003 (2.5% - 5.5%)	315,000	0	40,000	275,000	40,000
SA Street Improvement, 2007 (5.25%)	435,000	0	30,000	405,000	30,000
Division Street Improvement 2012 (2.0% - 3.0%)	515,000	0	25,000	490,000	25,000
Medusa Street Improvement 2012 (2.0% - 3.0%)	400,000	0	20,000	380,000	20,000
Refunding GO Various Purpose, 2012 (2.0% - 3.0%)	1,095,000	0	125,000	970,000	130,000
Richmond Road Bikeway 2012 (2.0% - 3.0%)	1,195,000	0	80,000	1,115,000	80,000
Total Bonds	<u>\$3,955,000</u>	<u>\$ 0</u>	<u>\$ 320,000</u>	<u>\$3,635,000</u>	<u>\$ 325,000</u>
<u>OPWC Loans</u>					
Division Street Improvement	\$ 8,394	\$ 0	\$ 700	\$ 7,694	\$ 700
Richmond/Pettibone Street Improvement	160,196	0	5,825	154,371	5,825
Alexander Road Improvement	313,261	0	12,786	300,475	12,786
Macedonia Road Improvement	261,165	62,224	0	323,389	0
Total OPWC Loans	<u>\$ 743,016</u>	<u>\$ 62,224</u>	<u>\$ 19,311</u>	<u>\$ 785,929</u>	<u>\$ 19,311</u>
Total Governmental Activities	<u>\$7,189,516</u>	<u>\$2,408,724</u>	<u>\$ 2,830,811</u>	<u>\$6,767,429</u>	<u>\$ 2,690,811</u>
Business-Type Activities					
<u>OPWC Loans</u>					
Richmond	\$ 7,125	\$ 0	\$ 713	\$ 6,412	\$ 713
Total Business-Type Activities	<u>\$ 7,125</u>	<u>\$ 0</u>	<u>\$ 713</u>	<u>\$ 6,412</u>	<u>\$ 713</u>
Total Debt	<u>\$7,196,641</u>	<u>\$2,408,724</u>	<u>\$ 2,831,524</u>	<u>\$6,773,841</u>	<u>\$ 2,691,524</u>

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The annual requirements for all outstanding debt as of December 31, 2017, are as follows:

	Governmental		Business-Type
	Principal	Interest	Principal
2018	\$ 344,311	\$ 111,675	\$ 713
2019	359,311	101,675	713
2020	364,311	90,863	713
2021	369,311	79,925	713
2022	394,311	70,213	713
2023-2027	1,416,557	195,838	2,847
2028-2032	608,757	45,713	0
2033-2037	158,055	1,950	0
2038-2042	73,875	0	0
2043-2044	8,741	0	0
	<u>\$ 4,097,540</u>	<u>\$ 697,850</u>	<u>\$ 6,412</u>

During 2016, the Village obtained a new loan from Ohio Public Works Commission to improve Macedonia Road. This interest free loan will be paid over the next twenty-five years, with the first payment occurring in 2018. This loan is not included in the above table, as the amortization schedule is not yet available.

During 2017, the Village issued \$2,346,500 of General Obligation Notes with an interest rate of 2.125 percent and mature on September 20, 2018.

NOTE 9: INSURANCE AND RISK MANAGEMENT

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80 percent coinsured.

The Village has established a formal self-insurance program for liabilities arising from employee health and life benefits. This exposure is accounted for in the General Fund which is responsible for collecting interfund premiums from other Village funds and departments, paying claim settlements, and purchasing other specified insurance policies. Reinsurance for any individual loss over \$10,000 is covered by Benefit Services, Inc.

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NOTE 10: **DEFINED BENEFIT PENSION PLANS**

All of the Village's full-time employees participate in one of two separate retirement plans which are cost-sharing, multiple-employer defined benefit pension plans.

A. **Ohio Public Employees Retirement System**

Plan Description - Village employees, other than full-time police and firefighters, 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. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 62 with 5 years of service credit or Age 57 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	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1%	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1%	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1%

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

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

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>1.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$245,187 for year 2017.

B. Ohio Police and Fire Pension Fund (the "OP&F Fund")

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

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

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

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

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

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

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

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$150,482 for 2017.

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NOTE 11: **POST-EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (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 that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and deposits to a Health Reimbursement Arrangement to qualifying members 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 post-employment 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. 45. Please see the Plan Statement in the OPERS 2016 CAFR, the latest available, for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 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 health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of activity members.

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In 2017, State and Local employers contribute at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contribute 18.0 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

The Village's actual employer contributions for December 31, 2017, 2016 and 2015 which were used to fund post-employment benefits were \$18,861, \$36,962, and \$36,538, respectively; 100 percent has been contributed for 2017, 2016 and 2015.

B. Ohio Police and Fire Pension Plan (the "OP&F Fund")

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F 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.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (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, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5 percent of covered payroll from January 1, 2017 thru December 31, 2017. 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 the Sections 115 and 401(h).

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

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$3,960, \$3,688, and \$3,107 for 2017, 2016, and 2015 respectively. The full amount has been contributed for 2017, 2016 and 2015.

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NOTE 12: INTERFUND AND TRANSFERS

As of December 31, 2017, interfund transfers were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 1,038,750
Street Construction, Maintenance and Repair	49,900	-
General Obligation Bond Retirement	412,000	-
General Capital Improvement	231,000	-
Other Governmental	395,750	49,900
Totals	<u>\$ 1,088,650</u>	<u>\$ 1,088,650</u>

Transfers from Other Governmental Funds into Street Construction, Maintenance, and Repair Fund included monies that were required to be received in separate funds, but expended out of the Street Construction, Maintenance and Repair. All transfers are in compliance with Ohio Revised Code Sections 5705.14-5705.16.

NOTE: 13: CONTINGENCIES

The Village is currently involved in a variety of litigations. It is the opinion of the Village's lawyers that the outcome of these will not have a material effect on the Village's financial position at December 31, 2017.

NOTE: 14: CAPITAL LEASES

In 2017, the Village entered into a new lease agreement for the purchase of various police, fire and service vehicles and equipment. In prior years, the Village has entered into lease agreements for the purchase of police cars, service vehicles and equipment, a dump truck and van. The Village disbursed \$161,762 to pay lease costs for the year. The following is a schedule of the future minimum lease payments for capital leases:

	Governmental	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 124,446	\$ 18,510
2019	106,958	14,423
2020	61,728	11,363
2021	63,964	9,127
2022	66,281	6,811
2023-2024	139,850	6,332
	<u>\$ 563,227</u>	<u>\$ 66,566</u>

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2016**

The discussion and analysis of the Village of Oakwood's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2016, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2016 are as follows:

- Net position of governmental activities decreased by \$111,695, or 14.9 percent, from the prior year.
- The Village's general receipts are primarily property taxes, income taxes, grants and entitlements, and debt proceeds. These receipts represent 76 percent of total cash received for governmental activities.
- The Village's business-type activities is sanitary sewer. Net position decreased by \$9,996, or 96.7 percent. The Village's total receipts for business-type activities decreased by \$53,933.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2016**

The statement of net position and statement of activities for 2016 reflect how the Village did financially within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function and business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, these changes are one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, consideration should be given to other nonfinancial factors as well, such as the Village's tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources, such as property and income taxes.

In the statement of net position and the statement of activities, the Village's financial statements are divided into two types of activities.

- *Governmental Activities* - Most of the Village's basic services are reported here, including Police, Fire, EMS, Streets, and Parks. Property and income taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
- *Business-type Activities* - The Village has one business-type activity: Sanitary Sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds, not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2016 are the General, Street Construction, Maintenance and Repair, and General Obligation Bond Retirement funds. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the Village reports on the cash basis.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's only enterprise fund, which is major, is the Sanitary Sewer fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The Government as a Whole

Table 1 provides a summary of the Village's net position for 2016 compared to 2015 on the cash basis.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 635,384	\$ 736,244	\$ 344	\$ 10,340	\$ 635,728	\$ 746,584
Cash and Cash Equivalents:						
In Segregated Accounts	1,464	5,906	0	0	1,464	5,906
With Escrow Agents	0	6,393	0	0	0	6,393
Total Assets	\$ 636,848	\$ 748,543	\$ 344	\$ 10,340	\$ 637,192	\$ 758,883
NET POSITION						
Restricted:						
Street Maintenance	\$ 3,363	\$ 74,394	\$ 0	\$ 0	\$ 3,363	\$ 74,394
Police and Fire	18,631	73,202	0	0	18,631	73,202
Debt Services	283	354	0	0	283	354
Capital Projects	2,738	0	0	0	2,738	0
Other Purposes	16,283	22,186	0	0	16,283	22,186
Unrestricted	595,550	578,407	344	10,340	595,894	588,747
Total Net Position	\$ 636,848	\$ 748,543	\$ 344	\$ 10,340	\$ 637,192	\$ 758,883

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Table 2 reflects the changes in net position in 2016 compared to 2015.

Table 2 - Change in Net Position

	Governmental Activities		Business Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Receipts						
Program Receipts						
Charges for Services	\$ 1,707,624	\$ 1,401,419	\$ 43,462	\$ 59,079	\$ 1,751,086	\$ 1,460,498
Operating Grants and Contributions	918,759	598,421	0	0	918,759	598,421
Capital Grants and Contributions	0	223,716	0	0	0	223,716
Total Program Receipts	2,626,383	2,223,556	43,462	59,079	2,669,845	2,282,635
General Receipts						
Property and Other Local Taxes	402,889	411,525	0	0	402,889	411,525
Income Taxes	6,640,358	6,567,216	0	0	6,640,358	6,567,216
Grants & Entitlements not restricted to specific programs	178,098	166,995	0	0	178,098	166,995
Investment Income	0	2	0	0	0	2
All Other Revenues	434,932	798,517	0	38,316	434,932	836,833
Debt Proceeds	2,617,766	2,871,417	0	0	2,617,766	2,871,417
Total General Receipts	10,274,043	10,815,672	0	38,316	10,274,043	10,853,988
Total Receipts	12,900,426	13,039,228	43,462	97,395	12,943,888	13,136,623
Disbursements						
Security of Persons and Property	4,044,103	3,980,529	0	0	4,044,103	3,980,529
Leisure Time Activities	363,859	344,008	0	0	363,859	344,008
Community Environment	255,653	200,153	0	0	255,653	200,153
Basic Utility Services	184,177	195,991	0	0	184,177	195,991
Transportation	728,465	1,112,318	0	0	728,465	1,112,318
General Government	2,862,460	3,017,602	0	0	2,862,460	3,017,602
Capital Outlay	1,389,145	840,084	0	0	1,389,145	840,084
Debt Service:						
Principal Retirement	3,012,918	3,018,025	712	713	3,013,630	3,018,738
Interest and Fiscal Charges	171,341	217,065	0	0	171,341	217,065
Sanitary Sewer	0	0	52,746	97,212	52,746	97,212
Total Disbursements	13,012,121	12,925,775	53,458	97,925	13,065,579	13,023,700
Excess (Deficiency) of Receipts over Disbursements	(111,695)	113,453	(9,996)	(530)	(121,691)	112,923
Change in Net Position	(111,695)	113,453	(9,996)	(530)	(121,691)	112,923
Net Position at January 1	748,543	635,090	10,340	10,870	758,883	645,960
Net Position at December 31	\$ 636,848	\$ 748,543	\$ 344	\$ 10,340	\$ 637,192	\$ 758,883

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2016

Program receipts represent 20.6 percent of total receipts for 2016. They are primarily comprised of sanitary sewer fees, fines, recreation activity charges, and intergovernmental receipts such as motor vehicle license fees, gas tax money, license and permits, and charges to local governments for fire and EMS services. Program receipts increased by \$387,210 or 17.0 percent compared to the prior year.

General receipts represent 79.4 percent of the Village's total receipts for 2016. Property and other local taxes and income taxes represent 68.5 percent of the general receipts. Grants, entitlements, and proceeds from debt represent 27.3 percent of general receipts. The remaining portion of general receipts is made up of all other receipts. General receipts increased by \$579,945 or 5.3 percent compared to the prior year. The Village had an increase in the amount of income tax collected during 2016.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for other Village activities. These include the costs of Council, Mayor, Mayor's Court, Finance, and Council Clerk, as well as internal services such as payroll and purchasing. Disbursements for general government decreased by \$155,142 or 5.1 percent compared to the prior year. The decrease is due to several factors, including Village's continuous work on reduction of expenditures.

Disbursements for Capital Outlay increased by \$549,061 or 65.4 percent. This increase is associated with funds utilized in 2016 for the Alexander Road Improvement project. Security of Persons and Property are the costs of police and fire protection, which increased by \$63,574 or 1.6 percent as compared to prior year. The increase was due to additional staff required by additional fire contracts entered into during 2016.

Transportation expenses, the cost of maintaining roads; Basic Utility Services, which are costs associated with the utilities of the Village; Leisure Time Activities are the costs of maintaining the parks and senior center; and Community Environment are the costs of regulating the construction of new and existing residential and commercial property.

Governmental Activities

The first column of the Statement of Activities lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Security of Persons and Property, Principal Retirement, General Government, and Capital Outlay, which account for 31.1, 23.2, 22.0, and 10.7 percent of all governmental disbursements, respectively. The next two columns of the Statement titled Program Cash Receipts identifies amounts paid by people who are directly charged for the service, and for grants received by the Village that must be used to provide a specific service.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2016**

This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of service and the net cost is presented in Table 3.

Table 3 - Comparison of Total Cost and Net Cost of Services

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Security of Persons and Property	\$ 4,044,103	\$ 3,980,529	\$ (2,432,986)	\$ (2,645,652)
Leisure Time Activities	363,859	344,008	(363,859)	(344,008)
Community Environment	255,653	200,153	(232,599)	(185,115)
Basic Utility Services	184,177	195,991	(184,177)	(195,991)
Transportation	728,465	1,112,318	46,224	(450,738)
General Government	2,862,460	3,017,602	(2,644,937)	(2,805,541)
Capital Outlay	1,389,145	840,084	(1,389,145)	(840,084)
Debt Service:				
Principal Retirement	3,012,918	3,018,025	(3,012,918)	(3,018,025)
Interest and Fiscal Charges	171,341	217,065	(171,341)	(217,065)
Total Governmental Activities	<u>\$13,012,121</u>	<u>\$12,925,775</u>	<u>\$ (10,385,738)</u>	<u>\$ (10,702,219)</u>

The dependence upon property and other local taxes, income taxes and other general receipts is apparent as over 79.8 percent of the net cost of services for governmental activities is supported through these general receipts.

Business-type Activities

The Sanitary sewer operations of the Village are relatively small and routinely report receipts and cash disbursements that are relatively equal.

General Fund Budgeting Highlights

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

During 2016, the Village made amendments to its appropriation budget and receipts budget to reflect changing circumstances. Final budgeted receipts were more than original budgeted receipts due to an unanticipated increase in the income tax collections. The difference between final budgeted receipts and actual receipts was mostly due to an overestimate of income tax receipts.

Final budgeted disbursements for 2016 were higher than original budgeted disbursements. The increases of 2016 final budget disbursements were higher due to several factors. They included

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2016**

an increase of wages for school guards and increase in interfund transfers. Actual disbursements for 2016 were lower than final budgeted amounts. This was due to an effort on the behalf of the Village departments to reduce their spending.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt Administration

At December 31, 2016, the Village had \$3,955,000 in outstanding General Obligation and Special Assessment bonds, with \$320,000 due within one year. The Village had \$750,141 in loans with the Ohio Public Works Commission, with \$20,024 due within one year for improvements to streets and sewer utilities. See Note 8 to the financial statements for more detail.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. State funding is remaining about the same level as last year. In addition, it appears local government revenue will remain relatively constant.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Brian Thompson, Finance Director, Village of Oakwood, 24800 Broadway Avenue, Oakwood Village, Ohio 44146.

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**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF NET POSITION – CASH BASIS
 DECEMBER 31, 2016**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 635,384	\$ 344	\$ 635,728
Cash and Cash Equivalents:			
In Segregated Accounts	1,464	0	1,464
Total Assets	\$ 636,848	\$ 344	\$ 637,192
NET POSITION			
Restricted:			
Street Maintenance	\$ 3,363	\$ 0	\$ 3,363
Police and Fire	18,631		18,631
Debt Services	283	0	283
Capital Projects	2,738	0	2,738
Other Purposes	16,283	0	16,283
Unrestricted	595,550	344	595,894
Total Net Position	\$ 636,848	\$ 344	\$ 637,192

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF ACTIVITIES – CASH BASIS
DECEMBER 31, 2016**

	<u>Cash</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>		
		<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Primary Government:							
Governmental Activities							
Security of Persons and Property	\$ 4,044,103	\$ 1,611,117	\$ 0	\$ 0	\$ (2,432,986)	\$ 0	\$ (2,432,986)
Leisure Time Activities	363,859	0	0	0	(363,859)	0	(363,859)
Community Environment	255,653	21,476	1,578	0	(232,599)	0	(232,599)
Basic Utility Services	184,177	0	0	0	(184,177)	0	(184,177)
Transportation	728,465	67,345	707,344	0	46,224	0	46,224
General Government	2,862,460	7,686	209,837	0	(2,644,937)	0	(2,644,937)
Capital Outlay	1,389,145	0	0	0	(1,389,145)	0	(1,389,145)
Debt Service:							
Principal Retirement	3,012,918	0	0	0	(3,012,918)	0	(3,012,918)
Interest and Fiscal Charges	171,341	0	0	0	(171,341)	0	(171,341)
Total Governmental Activities	<u>13,012,121</u>	<u>1,707,624</u>	<u>918,759</u>	<u>-</u>	<u>(10,385,738)</u>	<u>0</u>	<u>(10,385,738)</u>
Business-Type Activities							
Sanitary Sewer	<u>53,458</u>	<u>43,462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,996)</u>	<u>(9,996)</u>
Total Business-type Activities	<u>53,458</u>	<u>43,462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,996)</u>	<u>(9,996)</u>
Total Primary Government	<u>\$ 13,065,579</u>	<u>\$ 1,751,086</u>	<u>\$ 918,759</u>	<u>\$ -</u>	<u>(10,385,738)</u>	<u>(9,996)</u>	<u>(10,395,734)</u>
General Receipts							
Property and Other Local Taxes levied for:							
General Purposes					299,856	0	299,856
Debt Service Purpose					71,249	0	71,249
Other Purposes					31,784	0	31,784
Income Taxes levied for General Purposes					6,640,358	0	6,640,358
Grants & Entitlements not restricted to specific programs					178,098	0	178,098
All Other Revenues					434,932	0	434,932
Debt Proceeds					2,617,766	0	2,617,766
Total General Receipts and Transfers					<u>10,274,043</u>	<u>0</u>	<u>10,274,043</u>
Change in Net Position					(111,695)	(9,996)	(121,691)
Net Position - Beginning of Year					748,543	10,340	758,883
Net Position - End of Year					<u>\$ 636,848</u>	<u>\$ 344</u>	<u>\$ 637,192</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF ASSETS AND FUND BALANCES – CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2016**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Obligation Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 595,550	\$ 3,363	\$ 120	\$ 36,351	\$ 635,384
Cash and Cash Equivalents: In Segregated Accounts	1,464	0	0	0	1,464
Total Assets	<u>\$ 597,014</u>	<u>\$ 3,363</u>	<u>\$ 120</u>	<u>\$ 36,351</u>	<u>\$ 636,848</u>
FUND BALANCES					
Restricted for:					
Street Maintenance	\$ 0	\$ 3,363	\$ 0	\$ 0	\$ 3,363
Police Operations	0	0	0	638	638
Fire Operations	0	0	0	394	394
Police Pension	0	0	0	4,194	4,194
Drug and Alcohol Education and Enforcement	0	0	0	13,405	13,405
Mayor's Court	0	0	0	2,027	2,027
Debt Service	0	0	120	163	283
Other Purposes	0	0	0	1,199	1,199
Committed to:					
Recreation	0	0	0	3,731	3,731
Capital Improvement	0	0	0	2,738	2,738
Other Purposes	1,464	0	0	7,862	9,326
Assigned to:					
Other Purposes	595,550	0	0	0	595,550
Total Fund Balances	<u>\$ 597,014</u>	<u>\$ 3,363</u>	<u>\$ 120</u>	<u>\$ 36,351</u>	<u>\$ 636,848</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Street Construction Maintenance and Repair	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property and Local Taxes	\$ 299,856	\$ 0	\$ 71,249	\$ 31,784	\$ 402,889
Income Taxes	6,640,358	0	0	0	6,640,358
Intergovernmental Revenues	189,182	642,246	0	72,207	903,635
Special Assessments	0	0	0	193,221	193,221
Charges for Services	786,976	0	0	354,896	1,141,872
Fines, Licenses, and Permits	547,565	0	0	18,188	565,753
Miscellaneous	279,631	155,201	0	100	434,932
Total Receipts	<u>8,743,568</u>	<u>797,447</u>	<u>71,249</u>	<u>670,396</u>	<u>10,282,660</u>
DISBURSEMENTS					
Current:					
Security of Persons and Property	3,569,906	0	0	474,197	4,044,103
Leisure Time Activities	5,642	0	0	358,217	363,859
Community Environment	226,183	0	0	29,470	255,653
Basic Utility Services	184,177	0	0	0	184,177
Transportation	516,437	212,028	0	0	728,465
General Government	2,862,460	0	0	0	2,862,460
Capital Outlay	126,266	1,070,432	0	192,447	1,389,145
Debt Service:					
Principal Retirement	0	12,918	2,965,000	35,000	3,012,918
Interest and Fiscal Charges	0	0	6,245	165,096	171,341
Total Disbursements	<u>7,491,071</u>	<u>1,295,378</u>	<u>2,971,245</u>	<u>1,254,427</u>	<u>13,012,121</u>
Excess of Receipts					
Over (Under) Disbursements	<u>1,252,497</u>	<u>(497,931)</u>	<u>(2,899,996)</u>	<u>(584,031)</u>	<u>(2,729,461)</u>
OTHER FINANCING SOURCES (USES)					
Transfers - In	5,000	426,900	408,500	641,800	1,482,200
Transfers - Out	(1,413,800)	0	0	(68,400)	(1,482,200)
Proceeds from Sale of Notes	0	0	2,491,500	0	2,491,500
Inception of Capital Lease	126,266	0	0	0	126,266
Total Other Financing Sources (Uses)	<u>(1,282,534)</u>	<u>426,900</u>	<u>2,900,000</u>	<u>573,400</u>	<u>2,617,766</u>
Net Change in Fund Balances	(30,037)	(71,031)	4	(10,631)	(111,695)
Fund Balances - Beginning of Year	627,051	74,394	116	46,982	748,543
Fund Balances - End of Year	<u>\$ 597,014</u>	<u>\$ 3,363</u>	<u>\$ 120</u>	<u>\$ 36,351</u>	<u>\$ 636,848</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – BUDGET BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Local Taxes	\$ 292,130	\$ 338,000	\$ 299,856	\$ (38,144)
Income Taxes	5,945,818	6,642,157	6,640,358	(1,799)
Intergovernmental Revenues	169,395	189,233	189,182	(51)
Charges for Services	704,663	787,189	786,976	(213)
Fines, Licenses, and Permits	490,293	547,713	547,565	(148)
Miscellaneous	250,383	279,707	279,631	(76)
Total Revenues	7,852,682	8,783,999	8,743,568	(40,431)
Expenditures				
Current:				
Security of Persons and Property	3,802,407	3,605,615	3,579,800	25,815
Leisure Time Activities	0	5,642	5,642	0
Community Environment	255,842	228,288	228,145	143
Basic Utility Services	210,000	184,348	184,347	1
Transportation	563,127	518,615	517,827	788
General Government	2,664,559	2,864,506	2,864,506	0
Total Expenditures	7,495,935	7,407,014	7,380,267	26,747
Excess of Revenues Over(Under) Expenditures	356,747	1,376,985	1,363,301	(13,684)
Other Financing Sources (Uses)				
Transfers Out	(993,000)	(1,413,800)	(1,413,800)	0
Total Other Financing Sources (Uses)	(993,000)	(1,413,800)	(1,413,800)	0
Net Change in Fund Balance	(636,253)	(36,815)	(50,499)	(13,684)
Fund Balance - Beginning of Year	582,535	582,535	582,535	0
Prior Year Encumbrances Appropriated	38,924	38,924	38,924	0
Fund Balance - End of Year	\$ (14,794)	\$ 584,644	\$ 570,960	\$ (13,684)

See accompanying notes to the basic financial statements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 402,689	\$ 703,175	\$ 642,246	\$ (60,929)
Miscellaneous	97,311	169,925	155,201	(14,724)
Total Revenues	<u>500,000</u>	<u>873,100</u>	<u>797,447</u>	<u>(75,653)</u>
Expenditures				
Current:				
Transportation	196,056	217,177	215,044	2,133
Capital Outlay	1,070,432	1,070,432	1,070,432	0
Debt Service:				
Principal Retirement	12,918	12,918	12,918	0
Total Expenditures	<u>1,279,406</u>	<u>1,300,527</u>	<u>1,298,394</u>	<u>2,133</u>
Excess of Revenues Over(Under) Expenditures	<u>(779,406)</u>	<u>(427,427)</u>	<u>(500,947)</u>	<u>(73,520)</u>
Other Financing Sources (Uses)				
Transfers In	0	426,900	426,900	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>426,900</u>	<u>426,900</u>	<u>0</u>
Net Change in Fund Balance	(779,406)	(527)	(74,047)	(73,520)
Fund Balance - Beginning of Year	72,262	72,262	72,262	0
Prior Year Encumbrances Appropriated	2,132	2,132	2,132	0
Fund Balance - End of Year	<u>\$ (705,012)</u>	<u>\$ 73,867</u>	<u>\$ 347</u>	<u>\$ (73,520)</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF FUND NET POSITION – CASH BASIS
 PROPRIETARY FUND
 DECEMBER 31, 2016**

	Enterprise Fund
	Sanitary Sewer
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 344
	344
NET POSITION	
Unrestricted	\$ 344
	344

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
 FUND NET POSITION – CASH BASIS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise Fund
	Sanitary Sewer
OPERATING RECEIPTS	
Charges for Services	\$ 43,462
Total Operating Receipts	43,462
OPERATING DISBURSEMENTS	
Contractual Services	52,746
Total Operating Disbursements	52,746
Operating Income (Loss)	(9,284)
NONOPERATING RECEIPTS (DISBURSEMENTS)	
Principal Retirement	(712)
Total Nonoperating Revenues (Disbursements)	(712)
Change in Net Position	(9,996)
Net Position - Beginning of Year	10,340
Net Position - End of Year	\$ 344

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 STATEMENT OF FIDUCIARY NET POSITION – CASH BASIS
 FIDUCIARY FUNDS
 DECEMBER 31, 2016**

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 28,104
Cash and Cash Equivalents:	
in Segregated Accounts	57,951
Total Assets	\$ 86,055
 Net Position	
Unrestricted	\$ 86,055

See accompanying notes to the basic financial statements.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1: **REPORTING ENTITY**

The Village of Oakwood, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member Council elected for four-year terms. The Mayor is elected to a four-year term. The services provided by the Village are refuse collections (contracted), sanitary sewer utilities, income tax collections, park operations, and safety forces.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

A. **Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

B. **Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and **1)** the Village is able to significantly influence the programs or services performed or provided by the organization; or **2)** the Village is legally entitled to or can otherwise access the organization's resources; **3)** the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or **4)** the Village is obligated for the debt of the organization. The Village does not have any component units.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted (GAAP) in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies:

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents cash balances of the governmental activities and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are as follows:

General Fund - The general fund is the operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

General Obligation Bond Retirement Fund - This fund is used to retire and pay debt obligations. Funds are received from property tax revenue and transfers when scheduled from other funds.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village has one major enterprise fund.

Sanitary Sewer Fund – This fund is used to fund the operation of the Village’s pump station and any needed repairs relating to sewer and storm water. Funds are received from the collection of residents’ sewer bills.

Internal Service Funds – The Village does not maintain any internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village’s agency funds are: Maintenance Bond, Senior Center Rental, P.C. Deposit, Clearing, and Mayor’s Court.

C. Basis of Accounting

The Village’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities and the related expenses) are not recorded in these financial statements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

D. Budgetary Process

All funds, except 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 appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council.

The legal level of control has been established by Council at the personal services and other expenditures object levels within each department for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements 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 statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered 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 Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets as of December 31, 2016.

G. Inventories and Prepaids

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected on the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Lease payments are reported when paid.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

The net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

For 2016, the Village implemented the following Governmental Accounting Standards Board (GASB) Statements to the extent they apply their cash basis of accounting:

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

GASB Statement No. 72, Fair Value Measurement of Application. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP).

GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

These GASB Statements did not have an effect on the Village's financial statements.

VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual - Budgetary Basis presented for the General Fund, and Street Construction, Maintenance, and Repair Fund, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a component of fund balance (cash basis). The prior year encumbrances outstanding (budgetary basis) amounted to \$38,924 for the General Fund, and \$2,132 for the Street Construction, Maintenance, and Repair Fund. The current year encumbrances outstanding (budgetary basis) amounted to \$19,965 for the General Fund. The Street Construction, Maintenance, and Repair Fund had \$3,017 in year encumbrances.

The revenues, expenditures, and other financing sources and uses of the General Fund include activity that is budgeted within special revenue funds (cash basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in a decrease in fund balance of \$6,210.

NOTE 5: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Cash on Hand

At December 31, 2016, the Village had \$600 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village’s bank balance of \$817,917 was covered by Federal depository insurance in the amount of \$309,576 and \$507,741 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Village records all its investments at cost.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Village investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

State statute requires investments to have the highest possible rating by one of the national rating agency. The Village has no investment policy that would further limit its investment choices.

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (CONTINUED)**

Custodial Credit Risk

For an investment custodial credit risk is that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Concentration of Credit Risk

Safety of principal is the foremost objective of the Village's investment program. Investments of the Village's shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed income generated from the remainder of the portfolio. The Village's policy does not limit the percentage in any one investment.

NOTE 6: PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes. 2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$3.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	\$ 110,489,030
Public Utility	4,438,460
Total Valuation	\$ 114,927,490

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 7: LOCAL INCOME TAX

The Village levies a 2.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 2.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration. Income tax receipts, in the amount of \$6,640,358 were credited to the General Fund for 2016.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 8: OUTSTANDING DEBT

Outstanding debt at December 31, 2016 consisted of the following:

Governmental Activities	Balance at 1/1/2016	Additions	Deletions	Balance at 12/31/2016	Due within one year
<u>General Obligation Notes</u>					
Service Department Improvement	\$ 320,000	\$ 310,500	\$ 320,000	\$ 310,500	\$ 310,500
Street Improvement	450,000	441,000	450,000	441,000	441,000
Street Improvement 2010	940,000	910,000	940,000	910,000	910,000
Street Improvement 2011	520,000	520,000	520,000	520,000	520,000
Various Purpose Notes	350,000	290,000	350,000	290,000	290,000
Equipment	40,000	20,000	40,000	20,000	20,000
Total General Obligation Notes	<u>\$2,620,000</u>	<u>\$2,491,500</u>	<u>\$2,620,000</u>	<u>\$2,491,500</u>	<u>\$2,491,500</u>
<u>Bonds</u>					
GO Various Purpose Water, 1996 (6.60%)	\$ 5,375	\$ 0	\$ 5,375	\$ 0	\$ 0
SA Various Purpose Water, 1996 (6.60%)	4,625	0	4,625	0	0
	10,000	0	10,000	0	0
GO Various Purpose Sewer, 1996 (6.60%)	23,690	0	23,690	0	0
SA Various Purpose Sewer, 1996 (6.60%)	31,310	0	31,310	0	0
	55,000	0	55,000	0	0
SA Street Improvement, 2003 (2.5% - 5.5%)	350,000	0	35,000	315,000	40,000
SA Street Improvement, 2007 (5.25%)	465,000	0	30,000	435,000	30,000
Division Street Improvement 2012 (2.0% - 3.0%)	540,000	0	25,000	515,000	25,000
Medusa Street Improvement 2012 (2.0% - 3.0%)	420,000	0	20,000	400,000	20,000
Refunding GO Various Purpose, 2012 (2.0% - 3.0%)	1,220,000	0	125,000	1,095,000	125,000
Richmond Road Bikeway 2012 (2.0% - 3.0%)	1,275,000	0	80,000	1,195,000	80,000
Total Bonds	<u>\$4,335,000</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$3,955,000</u>	<u>\$ 320,000</u>
<u>OPWC Loans</u>					
Division Street Improvement	\$ 9,094	\$ 0	\$ 700	\$ 8,394	\$ 700
Richmond/Pettibone Street Improvement	166,021	0	5,825	160,196	5,825
Alexander Road Improvement	319,654	0	6,393	313,261	12,786
Macedonia Road Improvement	223,986	37,179	0	261,165	0
Total OPWC Loans	<u>\$ 718,755</u>	<u>\$ 37,179</u>	<u>\$ 12,918</u>	<u>\$ 743,016</u>	<u>\$ 19,311</u>
Total Governmental Activities	<u>\$7,673,755</u>	<u>\$2,528,679</u>	<u>\$3,012,918</u>	<u>\$7,189,516</u>	<u>\$2,830,811</u>
Business-Type Activities					
<u>OPWC Loans</u>					
Richmond	\$ 7,837	\$ 0	\$ 712	\$ 7,125	\$ 713
Total Business-Type Activities	<u>\$ 7,837</u>	<u>\$ 0</u>	<u>\$ 712</u>	<u>\$ 7,125</u>	<u>\$ 713</u>
Total Debt	<u>\$7,681,592</u>	<u>\$2,528,679</u>	<u>\$3,013,630</u>	<u>\$7,196,641</u>	<u>\$2,831,524</u>

**VILLAGE OF OAKWOOD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

The annual requirements for all outstanding debt as of December 31, 2016, are as follows:

	Governmental		Business-Type
	Principal	Interest	Principal
2017	\$ 339,311	\$ 120,612	\$ 713
2018	344,311	111,675	713
2019	359,311	101,675	713
2020	364,311	90,863	713
2021	369,311	79,925	713
2022-2026	1,586,557	242,975	3,560
2027-2031	749,451	64,888	0
2032-2036	223,057	5,850	0
2037-2041	86,664	0	0
2042-2046	14,567	0	0
	<u>\$ 4,436,851</u>	<u>\$ 818,463</u>	<u>\$ 7,125</u>

During 2016, the Village obtained a new loan from Ohio Public Works Commission to improve Macedonia Road. This interest free loan will be paid over the next twenty-five years, with the first payment occurring in 2017. This loan is not included in the above table, as the amortization schedule is not yet available.

During 2016, the Village issued \$2,491,500 of General Obligation Notes with an interest rate of 1.875 percent and mature on September 21, 2017.

NOTE 9: INSURANCE AND RISK MANAGEMENT

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80 percent coinsured.

The Village has established a formal self-insurance program for liabilities arising from employee health and life benefits. This exposure is accounted for in the General Fund which is responsible for collecting interfund premiums from other Village funds and departments, paying claim settlements, and purchasing other specified insurance policies. Reinsurance for any individual loss over \$10,000 is covered by Benefit Services, Inc.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 10: **DEFINED BENEFIT PENSION PLANS**

All of the Village's full-time employees participate in one of two separate retirement plans which are cost-sharing, multiple-employer defined benefit pension plans.

A. **Ohio Public Employees Retirement System**

Plan Description - Village employees, other than full-time police and firefighters, 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. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

**VILLAGE OF OAKWOOD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

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

**VILLAGE OF OAKWOOD, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$221,771 for year 2016.

B. Ohio Police and Fire Pension Fund (the "OP&F Fund")

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

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

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

**VILLAGE OF OAKWOOD, OHIO
 CUYAHOGA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (CONTINUED)**

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

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

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

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

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

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$140,154 for 2016.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 11: **POST-EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (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 that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten 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. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2016. Please see the Plan Statement in the OPERS 2014 CAFR, the latest available, for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 E. Town Street, Columbus, OH 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 post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. The 2016 local government employer contribution rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for local government employers. Active members do not make contributions to the OPEB Plan.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. Effective January 1, 2016, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Village's actual employer contributions for December 31, 2016, 2015 and 2014 which were used to fund post-employment benefits were \$36,962, \$36,538, and \$57,154, respectively; 100 percent has been contributed for 2016, 2015 and 2014.

B. Ohio Police and Fire Pension Plan (the "OP&F Fund")

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F 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.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at www.op-f.org.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (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, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5 percent of covered payroll from January 1, 2016 thru December 31, 2016. 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 the Sections 115 and 401(h).

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

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$3,688, \$3,107, and \$3,418 for 2016, 2015, and 2014 respectively. The full amount has been contributed for 2016, 2015 and 2014.

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 12: INTERFUND AND TRANSFERS

As of December 31, 2016, interfund transfers were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 5,000	\$ 1,413,800
Street Construction, Maintenance and Repair	426,900	0
General Obligation Bond Retirement	408,500	0
Other Governmental	641,800	68,400
Totals	<u>\$ 1,482,200</u>	<u>\$ 1,482,200</u>

Transfers from Other Governmental Funds into Street Construction, Maintenance, and Repair Fund included monies that were required to be receipted in separate funds, but expended out of the Street Construction, Maintenance and Repair. All transfers are in compliance with Ohio Revised Code Sections 5705.14-5705.16.

NOTE: 13: CONTINGENCIES

The Village is currently involved in a variety of litigations. It is the opinion of the Village's lawyers that the outcome of these will not have a material effect on the Village's financial position at December 31, 2016.

NOTE: 14: CAPITAL LEASES

In 2016, the Village entered into a new lease agreement for the purchase of police cars, service vehicles and equipment. In prior years, the Village has entered into lease agreements for the purchase of a dump truck and van. The Village disbursed \$101,338 to pay lease costs for the year. The following is a schedule of the future minimum lease payments for capital leases:

	Governmental	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 138,940	\$ 22,823
2018	124,446	18,510
2019	106,958	14,423
2020	61,728	11,363
2021	63,964	9,127
2022-2024	206,131	13,142
	<u>\$ 702,167</u>	<u>\$ 89,388</u>

**VILLAGE OF OAKWOOD, OHIO
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE: 15: **COMPLIANCE**

The General Fund had original permanent appropriations of \$636,253 in excess of estimated resources plus carryover balances of \$582,535 and Street Construction, Maintenance, and Repair Fund had original permanent appropriations of \$779,406 in excess of estimated resources plus carryover balances of \$72,262 contrary to section 5705.39, Ohio Revised Code. Final appropriations did not exceed final estimated resources for both funds.

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Oakwood
Cuyahoga County
24800 Broadway Avenue
Oakwood, Ohio 44146

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Oakwood, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 20, 2019, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2017-001 and 2017-002 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2019

**VILLAGE OF OAKWOOD
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDING NUMBER 2017-001

Noncompliance Finding / Significant Deficiency – Cash Reconciliation

Ohio Admin. Code § 117-2-02 (A) requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash book balance. Bank reconciliation means accounting for the differences between the bank statement's balances and the cash and investment book balances according to the entity's records at a specific point in time. In order for the bank reconciliation to be an effective internal control, the bank reconciliation should be performed each month within a few days of receiving the entity's bank statements and should include all bank accounts held by the entity. Additionally, all differences between the bank statement balances and accounting record balances should be identified, documented, and if necessary, adjusted to the accounting records immediately. We noted the following:

- The Village holds several special purpose bank accounts for purposes such as employee health benefits, fall festival, and equipment leases. These accounts totaling \$19,678 at December 31, 2017 and \$23,378 at December 31, 2016 were not included in the Village's original bank reconciliation and accounting records.
- The December 31, 2017 and 2016 bank reconciliations for the operating account, meadows account, and the payroll account were not initially reconciled throughout the year. Management subsequently provided reconciliations for these accounts during December 2018.
- The December 31, 2017 and 2016 bank reconciliation for the Mayor's Court Account was not properly reconciled as they included checks issued during the following month.

Failure to reconcile all bank accounts and clearly document all reconciling adjustments timely substantially increases the risk of bank overdrafts, theft, and various accounting and financial statement errors. Additionally, failure to maintain required accounting records inhibits management's ability to monitor the Village's financial activity and prepare accurate financial statements.

The Village should ensure bank to book reconciliations are performed monthly for all accounts. Any noted discrepancies should be promptly investigated, documented and corrected in the accounting records.

Officials' Response: Management has noted comment and will be working to refine the reconciliation process for future audit periods.

FINDING NUMBER 2017-002

Noncompliance Finding / Significant Deficiency - Proper, Public Purpose - Credit Card Charges

Ohio Rev. Code § 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Government entities may not make expenditures of public monies unless they are for a valid public purpose. **1982 Op. Att’y Gen. No. 82-006**, addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds “... must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. **Auditor of State Bulletin 2004-002** indicates “... to avoid an audit finding, the Auditor of State will require that expenditures of public funds for coffee, meals, refreshments, or other amenities have prior authorization by the appropriate legislative authority.” The use of public funds to purchase alcohol will be considered arbitrary and incorrect and will be cited by the Auditor of State’s Office.

We noted the following instances where Ohio Revised Code 5705.41-(D) certifications (e.g. purchase orders) could not be located and the proper public purpose was not clear for certain credit card disbursements.

- In October 2016, \$7,570 was expended at a premium seafood restaurant for meals and (non-alcoholic) beverages for a community event. This event was advertised on the Village’s events community calendar and the Village collected money from participants to offset the event cost.

A listing of participants and the amounts paid by each could not be located. Although, Council’s appropriations have a line item for Mayor Events, prior approval of this specific event could not be located. Additionally, included in the cost was \$325 for beverages despite the event advisement indicating that participant’s fees were for “food only.”
- In May 2016, \$15 was expended for a purchase on Amazon. No supporting documentation could be provided for this purchase. It could not be determined that this purchase was made for a proper public purpose.
- In August 2017, \$60 was expended for food at a local restaurant for a community event entertainer. However, an itemized receipt was not retained for supporting documentation to help ensure alcohol or other improper items were not purchased.
- In October 2017 and November 2016, \$255 and \$168, respectively, was expended by the Village for a finance charge on the Village’s credit card from late payments.

FINDING NUMBER 2017-002 – (Continued)

- In April 2017 and March 2016, \$1,100 and \$1,175, respectively, was withdrawn in cash from the Village's general bank account for the Village's annual "Easter egg drop." Management indicated the cash along with candy and other prizes were placed in plastic eggs and dropped from a rented helicopter for this event. Although this has been an annual event for several years, specific approval by council for the cash withdraws could not be located.
- In October 2017, \$592 was expended for a first-class airline seat and frequent flier miles were earned. The seat was purchased for an entertainer to perform at a summer concert. No formal contract was executed with the entertainer establishing amount to be paid and amenities to be included. Specific approval by council for this purchase could also not be located.

Management should ensure all disbursements, including credit card disbursements, are certified pursuant to Ohio Rev. Code 5705.41(D). Management should also ensure that all expenditures are for a clear "proper public purpose" and expenditures of public funds for coffee, meals, refreshments, or other amenities have prior authorization by the appropriate legislative authority. In addition, a credit card policy in accordance with House Bill 312 (**Auditor of State Bulletin 2018-003**) should be adopted and implemented.

Officials' Response: Management has noted comment. We will be presenting to council in the future to memorialize actions at the Easter egg event. In addition we will make sure clarity will be in place to make sure the beverage matter is resolved at Village events. Also if an entertainer is slated to perform all contractual actions will be in writing for full documentation disclosure. Credit card billing payments will be reviewed and put on recurring payments so no late fee.

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**VILLAGE OF OAKWOOD
CUYAHOGA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	<p>Noncompliance Finding / Significant Deficiency – Cash Reconciliation: Supporting documentation for multiple reconciling items was not initially available and resulted in significant delays in completion of the prior audit.</p>	Not Corrected	Repeated as Finding Number 2017-001
2015-002	<p>Noncompliance Finding / Significant Deficiency – Public Record Availability: Various public records requested for the 2015 financial statement audit were not made available for several months after being requested resulting in significant delays in completing required audit procedures.</p>	Partially Corrected	Similar comment issued in the management letter

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF OAKWOOD

CUYAHOGA 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
MARCH 12, 2019**