



# City of Oakwood

Basic Financial Statements  
For the Year Ended  
December 31, 2014

# **City of Oakwood, Ohio**

Basic Financial Statements  
For the Year Ended December 31, 2014

with

Independent Auditor's Report

Prepared by:

Department of Finance

Cindy S. Stafford, CPA

Director of Finance

# **CITY OF OAKWOOD, OHIO**

## **CITY OFFICIALS**

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

## **CITY MANAGER**

Norbert S. Klopsch

## **INDEPENDENT AUDITORS**

Ohio Auditor of State

## **DEPARTMENT OF FINANCE**

### **Staff**

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

**CITY OF OAKWOOD, OHIO**

**CITY OF OAKWOOD  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
<b>Basic Financial Statements:</b>	
Statement of Net Position – December 31, 2014 .....	13
Statement of Activities – For the Year Ended December 31, 2014 .....	14
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds – December 31, 2014 .....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – December 31, 2014 .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – For the Year Ended December 31, 2014 .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2014 .....	18
Statement of Net Position – Proprietary Funds – December 31, 2014.....	19
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – For the Year Ended December 31, 2014 .....	20
Statement of Cash Flows – Proprietary Funds – For the Year Ended December 31, 2014.....	21
Statement of Assets and Liabilities – Agency Funds – December 31, 2014 .....	22
Notes to the Basic Financial Statements .....	23
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Budgetary (Non-GAAP) Basis – General Fund For the Year Ended December 31, 2014 .....	44
Notes to the Required Supplementary Information.....	45
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	47

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Oakwood  
Montgomery County  
30 Park Avenue  
Oakwood, Ohio 45419

To the Mayor and the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 City'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 City's internal control. Accordingly, we express no 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Oakwood, Montgomery County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and *required budgetary comparison schedule for the General Fund*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 11, 2015



**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

Our discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overall review of the financial activities of the City for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information, including the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

- The City's total net position decreased by \$166,808 or 0.33% and unrestricted net position increased \$899,660 or 8.85%.
- Total revenues decreased \$869,433 or 5.47% and total expenses decreased \$654,237 or 4.13%.
- Total fund balances of governmental activities increased by \$966,381 or 11.50%.
- Governmental fund revenues decreased \$853,386 or 6.58% and governmental fund expenditures decreased \$704,596 or 5.94%.
- The net position of the City's business-type activities increased by \$12,070 or 0.21%.
- Total revenue of business-type activities decreased \$43,435 or 1.58% and total expenses increased \$142,569 or 5.60%.
- The General Fund balance increased \$947,442 or 16.60%.
- The General Fund revenues decreased \$935,116 or 7.70% and expenditures decreased \$352,748 or 3.75%.

**Using this Annual Financial Report**

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

**Reporting the City as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities help to answer this question. These statements include all assets, liabilities and deferred inflows of resources using the accrual basis of accounting,

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

which is similar to the accounting used by most private-sector companies. All current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

*Fund Financial Statements*

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

**Governmental Funds**

Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of the funds, and the balances left at year-end which would be available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

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

Agency Funds

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

**The City as a Whole**

For 2014, the City's assets exceeded liabilities and deferred inflows of resources by a total of \$50.6 million. This represents a decrease of 0.33% from the prior year. The unrestricted net position, the net position that can be used to finance daily operation without constraints established by enabling legislation or other legal requirements increased by \$899,660 or 8.85%.

Explanations for the significant fluctuations between 2014 and 2013 are as follows:

- Estate Tax revenue decreased approximately \$2.1 million from 2013 as a result of the Estate Tax being repealed effective January 1, 2013.
- Property taxes levied for general purposes increased \$1.0 million as a result of a levy passed in May of 2013.
- Consistent with the city's multi-year cost cutting plan, the city reduced staff by an additional two positions, cut capital costs and operational costs totaling approximately \$650,000.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

The following tables provide a summary of the City's net position and changes in net position for the year.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 13,965,547	\$ 12,878,257	\$ 3,973,839	\$ 4,116,637	\$ 17,939,386	\$ 16,994,894
Capital assets, net	35,533,253	36,960,653	2,225,977	2,316,011	37,759,230	39,276,664
<b>Total assets</b>	<b>49,498,800</b>	<b>49,838,910</b>	<b>6,199,816</b>	<b>6,432,648</b>	<b>55,698,616</b>	<b>56,271,558</b>
Current and other liabilities	867,938	958,075	235,798	442,718	1,103,736	1,400,793
Long-term liabilities:						
Due within one year	660,137	194,905	114,118	60,972	774,255	255,877
Due in more than one year	1,021,774	1,493,125	88,114	179,242	1,109,888	1,672,367
<b>Total liabilities</b>	<b>2,549,849</b>	<b>2,646,105</b>	<b>438,030</b>	<b>682,932</b>	<b>2,987,879</b>	<b>3,329,037</b>
<b>Deferred inflows of resources</b>	<b>2,075,822</b>	<b>2,140,798</b>	<b>-</b>	<b>-</b>	<b>2,075,822</b>	<b>2,140,798</b>
Net position:						
Invested in capital assets, net	35,810,949	36,960,653	2,187,189	2,251,364	37,998,138	39,212,017
Restricted	1,573,058	1,425,647	-	-	1,573,058	1,425,647
Unrestricted	7,489,122	6,665,707	3,574,597	3,498,352	11,063,719	10,164,059
<b>Total net position</b>	<b>\$ 44,873,129</b>	<b>\$ 45,052,007</b>	<b>\$ 5,761,786</b>	<b>\$ 5,749,716</b>	<b>\$ 50,634,915</b>	<b>\$ 50,801,723</b>

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,218,348	\$ 2,228,832	\$ 2,663,431	\$ 2,732,304	\$ 4,881,779	\$ 4,961,136
Operating grants & contributions	493,117	10,635	-	-	493,117	10,635
Capital grants & contributions	32,481	-	-	-	32,481	-
General revenues:						
Income taxes	6,379,155	6,221,142	-	-	6,379,155	6,221,142
Property taxes	2,478,899	1,478,004	-	-	2,478,899	1,478,004
Unrestricted grants & contributions	498,460	3,089,490	-	-	498,460	3,089,490
Investment earnings	92,101	4,761	26,996	1,181	119,097	5,942
Miscellaneous	144,193	129,888	8,469	8,846	152,662	138,734
Total revenues	12,336,754	13,162,752	2,698,896	2,742,331	15,035,650	15,905,083
<b>Program Expenses</b>						
Security of persons and property	5,079,274	5,286,908	-	-	5,079,274	5,286,908
Public health services	112,925	116,752	-	-	112,925	116,752
Leisure time activities	965,187	992,176	-	-	965,187	992,176
Community environment	1,717,406	1,715,903	-	-	1,717,406	1,715,903
Transportation	854,310	900,359	-	-	854,310	900,359
General government	2,424,555	2,622,063	-	-	2,424,555	2,622,063
Public works	1,340,768	1,656,463	-	-	1,340,768	1,656,463
Interest and fiscal charges	21,207	21,814	-	-	21,207	21,814
Water	-	-	1,117,688	888,982	1,117,688	888,982
Sewer	-	-	1,338,230	1,415,252	1,338,230	1,415,252
Stormwater	-	-	230,908	240,023	230,908	240,023
Total expenses	12,515,632	13,312,438	2,686,826	2,544,257	15,202,458	15,856,695
Changes in net position	(178,878)	(149,686)	12,070	198,074	(166,808)	48,388
Net position, beginning of year	45,052,007	45,201,693	5,749,716	5,551,642	50,801,723	50,753,335
Net position, end of year	<b>\$ 44,873,129</b>	<b>\$ 45,052,007</b>	<b>\$ 5,761,786</b>	<b>\$ 5,749,716</b>	<b>\$ 50,634,915</b>	<b>\$ 50,801,723</b>

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

*Governmental Activities*

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

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

	Total Expense by Function / Program	Percentage of Total Program Expenses	Total Program Revenue	Net Expense of Function	Percentage of Function Financed with General Revenues
<b><i>Program Expenses</i></b>					
Security of persons and property	\$ 5,079,274	40.59%	\$ (276,844)	\$ 4,802,430	94.55%
Public health services	112,925	0.90%	(30,715)	82,210	72.80%
Leisure time activities	965,187	7.71%	(536,342)	428,845	44.43%
Community environment	1,717,406	13.72%	(1,178,732)	538,674	31.37%
Transportation	854,310	6.83%	(414,658)	439,652	51.46%
General government	2,424,555	19.37%	(306,655)	2,117,900	87.35%
Public works	1,340,768	10.71%	-	1,340,768	100.00%
Interest and fiscal charges	21,207	0.17%	-	21,207	100.00%
	<u>\$ 12,515,632</u>	<u>100.00%</u>	<u>\$ (2,743,946)</u>	<u>\$ 9,771,686</u>	<u>78.08%</u>

As indicated by Table 3, the City is spending more than half of its resources (54.31%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 40.59% of total program expenses, revenues generated by the public safety department cover only 5.45% of functional expenses. This means that general revenues collected by the City, principally income and property taxes, must cover the remaining 94.55% of expenses reported by the public safety department. Refuse collection fees are the most significant program revenue source that helps offset the expenses reported for the community environment functions.

General government functions, principally legislative, administration and judicial activities, comprise 19.37% of the total governmental expenses. Most of the program revenue generated by this function is associated with court fees and fines, as well as other charges for services and operating grants. Charges for services and fees associated with the recreation department accounted for 55.57% of the leisure time activities functional expenses. Expenses associated with street resurfacing, street maintenance, snow removal and operation of the public works department are all included within the transportation function.

General revenues comprise 77.76% of the total governmental revenues collected by the City during 2014. Principal components of general revenues; including income taxes (66.50%) and property taxes (25.84%), are used to furnish the quality of life and services to citizens and businesses to which they have become accustomed.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

*Business-Type Activities*

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

Water – The water department at the City of Oakwood is responsible for the production, treatment and delivery of quality water to businesses and citizens within the boundaries of the City. Various functions within the water department include administration, water production, water distribution and maintaining and upgrading the infrastructure used to produce, treat and distribute the water. The water department in 2014 experienced an operating loss of \$193,603, compared to a loss of \$79,856 in 2013. Operating results for the water fund can vary greatly depending in large part on the amount of irrigation water used throughout the city during the summer months, which is a function of the amount of rainfall during any given year. At December 31, 2014 the unrestricted net position represented 144.40% of the operating expenses reported for 2014.

Sewer – The City's sewer department is responsible for the collection and treatment of wastewater generated throughout the City. Various functions within the sewer department include administration, disposal, and maintaining and upgrading infrastructure used in the collection and disposal of wastewater. The sewer department recognized operating income of \$194,181 during 2014 as compared to \$114,015 reported for 2013.

Stormwater – The fund was created in 2013. The City's stormwater department is responsible for managing stormwater runoff in a manner consistent with the EPA's National Pollutant Discharge System standards. Citizens are charged a stormwater fee based on their impervious area of developed property. The fund experienced operating income in 2014 of \$47,928 as compared to \$48,682 reported in 2013.

Overall, the City's business-type activities generated \$2.66 million in program revenue during 2014, while program expenses were \$2.69 million. The business-type activities incurred an overall increase in net position of \$12,070. It should be noted that the unrestricted net position of the business-type activities totaled \$3.57 million at the end of 2014. The amount of unrestricted net position for business-type activities reported at December 31, 2014 equaled 133.04% of the total expenses reported for business-type activities for 2014. Management will continue to monitor utility rate charges and necessary adjustments will be made to provide any additional financial resources needed.

**The City's Funds**

The governmental funds of the City are reported using the modified accrual basis of accounting. These funds had total revenues of \$12.13 million and expenditures of \$11.16 million for 2014. In total, the governmental funds reported a \$966,381 increase in total fund balance for the year. In 2013, the fund balance of the City's governmental funds increased by \$1,115,171. Most of the increase in 2014 is associated with the additional property taxes from

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

the property tax levy passed in 2013. The increase in 2013 was a result of estate tax receipts. The restricted, committed, assigned, and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year; these fund balances at December 31, 2014 were \$9.18 million, or 82.29% of the total expenditures reported for the governmental funds for 2014.

The City's General Fund realized a \$947,442 increase in fund balance during 2014 as compared to the \$1,624,475 increase in 2013. The change in general fund balance in 2014 versus 2013 is primarily the result of \$2.1 million less in estate tax receipts offset by a \$1.0 million increase in property tax revenue. Annually, the General Fund transfers amounts to other funds to cover recreation, street maintenance, state highway and other programs. These transfers also pay for capital improvement projects and construction of capital assets. The General Fund transferred \$1,208,152 to other funds in 2014 as compared to \$1,113,487 to other funds in 2013.

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

**General Fund Budgeting Highlights**

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

For the General Fund, budget basis revenue was \$9.11 million as compared to the actual revenues received of \$9.71 million. The City's variances in revenues received were from the following:

- Income tax receipts were \$392,480 more than budget;
- Property tax receipts were \$112,495 more than budget;
- A rebate from the State of Ohio for workers' compensation premiums was received in miscellaneous income of \$93,000.

The budgeted expenditures of the City did not change from the original budget to the final budget. Actual expenditures were \$1,274,579 less than budgeted expenditures. For the year ended December 31, 2014 the total actual budgetary change in fund balance for the General Fund was an increase of \$1,112,009 resulting in a reported

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

\$5,014,475 ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 70.89% of the total budgetary expenditures of the General Fund for 2014.

**Capital Assets**

At the end of 2014, the City had a total of \$70.06 million invested in capital assets less accumulated depreciation of \$32.30 million resulting in total capital assets, net of accumulated depreciation of \$37.76 million.

During 2014, asset additions were as follows:

- Two new vehicles totaling \$34,507;
- Various equipment totaling \$37,200;
- \$11,400 for street sign replacements; and
- \$49,700 for a new valve insertion machine.

Table 4 shows 2014 capital asset balances compared to those of 2013:

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,672,504	\$ 4,672,504	\$ 283,820	\$ 283,820	\$ 4,956,324	\$ 4,956,324
Buildings	9,402,893	9,882,893	283,922	349,871	9,686,815	10,232,764
Land Improvements	1,221,787	1,307,521	50,160	55,486	1,271,947	1,363,007
Equipment	280,523	347,395	82,844	46,073	363,367	393,468
Vehicles	201,019	287,463	1,011	3,504	202,030	290,967
Infrastructure	<u>19,754,527</u>	<u>20,462,877</u>	<u>1,524,220</u>	<u>1,577,257</u>	<u>21,278,747</u>	<u>22,040,134</u>
Total	<u>\$ 35,533,253</u>	<u>\$ 36,960,653</u>	<u>\$ 2,225,977</u>	<u>\$ 2,316,011</u>	<u>\$ 37,759,230</u>	<u>\$ 39,276,664</u>

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

**Debt Administration**

At December 31, 2014, the City had a total of approximately \$527,000 of long-term debt obligations compared with approximately \$567,000 of long-term debt reported at December 31, 2013.

Governmental debt obligations include \$487,893 of police and fire pension liability.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2014

The \$38,788 Ohio Public Works Commission (OPWC) loan reported in the City's sewer fund was reduced by \$25,859 from the \$64,647 reported on December 31, 2013. This is an interest free loan which was used to improve the City's sanitary sewer system and is being repaid through operating revenues of the sewer fund.

At December 31, 2014, the City's overall legal debt margin was \$31.40 million and the unvoted debt margin was \$16.45 million. See Note 8 to the basic financial statements for more detailed information on the debt obligations of the City.

**Contacting the City's Finance Department**

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



# CITY OF OAKWOOD, OHIO

## Statement of Net Position

December 31, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 9,433,151	\$ 2,864,192	\$ 12,297,343
Cash in segregated accounts	13,687	-	13,687
Receivables:			
Property taxes	2,171,094	-	2,171,094
Income taxes	2,169,088	-	2,169,088
Accounts	171,002	269,052	440,054
Special assessments	161,469	66,768	228,237
Interest	5,291	1,539	6,830
Intergovernmental	443,820	-	443,820
Prepaid expenses	32,470	3,925	36,395
Internal balances	(746,836)	746,836	-
Inventory	111,311	21,527	132,838
Nondepreciable capital assets	4,672,504	283,820	4,956,324
Depreciable capital assets (net of accumulated depreciation)	<u>30,860,749</u>	<u>1,942,157</u>	<u>32,802,906</u>
<b>Total assets</b>	<u>\$ 49,498,800</u>	<u>\$ 6,199,816</u>	<u>\$ 55,698,616</u>
<b>Liabilities</b>			
Accounts payable	18,005	10,476	28,481
Contracts payable	29,735	2,976	32,711
Accrued wages payable	268,829	34,643	303,472
Intergovernmental payable	309,768	187,703	497,471
Unearned revenue - income tax credits	241,601	-	241,601
Long-term liabilities:			
Due within one year	660,137	114,118	774,255
Due within more than one year	<u>1,021,774</u>	<u>88,114</u>	<u>1,109,888</u>
<b>Total liabilities</b>	<u>2,549,849</u>	<u>438,030</u>	<u>2,987,879</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	<u>2,075,822</u>	<u>-</u>	<u>2,075,822</u>
<b>Total deferred inflows of resources</b>	<u>2,075,822</u>	<u>-</u>	<u>2,075,822</u>
<b>Net Position</b>			
Net investment in capital assets	35,533,253	2,187,189	37,720,442
Restricted for:			
Capital purposes	307,786	-	307,786
Other purposes	1,214,132	-	1,214,132
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	1,140	-	1,140
Unrestricted	<u>7,766,818</u>	<u>3,574,597</u>	<u>11,341,415</u>
<b>Total net position</b>	<u>\$ 44,873,129</u>	<u>\$ 5,761,786</u>	<u>\$ 50,634,915</u>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Activities For the Year Ended December 31, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions / Programs</b>							
Governmental activities:							
Security of persons and property	\$ 5,079,274	\$ 251,158	\$ 25,686	\$ -	\$ (4,802,430)	\$ -	\$ (4,802,430)
Public health services	112,925	28,985	1,730	-	(82,210)	-	(82,210)
Leisure time activities	965,187	496,504	39,838	-	(428,845)	-	(428,845)
Community environment	1,717,406	1,146,251	-	32,481	(538,674)	-	(538,674)
Transportation	854,310	-	414,658	-	(439,652)	-	(439,652)
General government	2,424,555	295,450	11,205	-	(2,117,900)	-	(2,117,900)
Public works	1,340,768	-	-	-	(1,340,768)	-	(1,340,768)
Interest on long-term debt	21,207	-	-	-	(21,207)	-	(21,207)
<b>Total governmental activities</b>	<b>\$ 12,515,632</b>	<b>\$ 2,218,348</b>	<b>\$ 493,117</b>	<b>\$ 32,481</b>	<b>(9,771,686)</b>	<b>-</b>	<b>(9,771,686)</b>
Business-type activities:							
Water	1,117,688	855,138	-	-	-	(262,550)	(262,550)
Sewer	1,338,230	1,529,458	-	-	-	191,228	191,228
Stormwater	230,908	278,835	-	-	-	47,927	47,927
<b>Total business-type activities</b>	<b>2,686,826</b>	<b>2,663,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,395)</b>	<b>(23,395)</b>
<b>Total</b>	<b>\$ 15,202,458</b>	<b>\$ 4,881,779</b>	<b>\$ 493,117</b>	<b>\$ 32,481</b>	<b>(9,771,686)</b>	<b>(23,395)</b>	<b>(9,795,081)</b>
General revenues:							
Taxes:							
Income taxes					6,379,155	-	6,379,155
Property taxes levied for:							
General purposes					2,398,726	-	2,398,726
Police and fire pension					80,173	-	80,173
Grants and contributions not restricted to specific programs					498,460	-	498,460
Investment earnings					92,101	26,996	119,097
Miscellaneous					144,193	8,469	152,662
<b>Total general revenues</b>					<b>9,592,808</b>	<b>35,465</b>	<b>9,628,273</b>
Change in net position					(178,878)	12,070	(166,808)
Net position, beginning of year					45,052,007	5,749,716	50,801,723
Net position, end of year					<u>\$ 44,873,129</u>	<u>\$ 5,761,786</u>	<u>\$ 50,634,915</u>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Balance Sheet Governmental Funds December 31, 2014

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash and investments	\$ 6,632,975	\$ 414,519	\$ 2,259,057	\$ 9,306,551
Cash in segregated accounts	11,842	-	1,845	13,687
Receivables:				
Property taxes	2,098,283	-	72,811	2,171,094
Income taxes	2,169,088	-	-	2,169,088
Accounts	147,286	2,124	21,592	171,002
Special assessments	32,625	-	128,844	161,469
Interest	4,873	-	418	5,291
Intergovernmental	240,897	-	202,923	443,820
Prepaid expenses	23,747	-	8,343	32,090
Inventory	27,354	-	60,721	88,075
<b>Total assets</b>	<b>11,388,970</b>	<b>416,643</b>	<b>2,756,554</b>	<b>14,562,167</b>
<b>Liabilities</b>				
Accounts payable	7,453	-	7,010	14,463
Contracts payable	11,408	11,589	6,599	29,596
Accrued wages payable	240,376	-	21,485	261,861
Intergovernmental payable	279,217	-	23,287	302,504
Unearned revenue - income tax credits	241,601	-	-	241,601
<b>Total liabilities</b>	<b>780,055</b>	<b>11,589</b>	<b>58,381</b>	<b>850,025</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - income taxes	1,613,194	-	-	1,613,194
Unavailable revenue - property taxes	2,035,175	-	69,901	2,105,076
Unavailable revenue - other	303,910	2,124	320,153	626,187
<b>Total deferred inflows of resources</b>	<b>3,952,279</b>	<b>2,124</b>	<b>390,054</b>	<b>4,344,457</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid expenses and inventory	51,101	-	69,064	120,165
Unclaimed monies	14,335	-	-	14,335
Permanent Funds - Bullock Endowment	-	-	50,000	50,000
Restricted:				
Security of persons and property	-	-	577,797	577,797
Public health services	-	-	17,611	17,611
Leisure time activities	-	-	409,738	409,738
Community environment	-	-	1,141	1,141
Transportation	-	-	678,784	678,784
Municipal court activities	-	-	130,040	130,040
Committed:				
Capital projects fund	333,282	402,930	373,944	1,110,156
Assigned:				
General government	104,277	-	-	104,277
Unassigned:				
General fund	6,153,641	-	-	6,153,641
<b>Total fund balances</b>	<b>6,656,636</b>	<b>402,930</b>	<b>2,308,119</b>	<b>9,367,685</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,388,970</b>	<b>\$ 416,643</b>	<b>\$ 2,756,554</b>	<b>\$ 14,562,167</b>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2014

<b>Fund balance - total governmental funds</b>		\$	9,367,685
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			31,920,163
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:			
Property and other taxes	29,255		
Income taxes	1,613,194		
Intergovernmental	399,622		
Special assessments	161,469		
Charges for services	<u>65,095</u>		
			2,268,635
Internal service funds are used to charge the costs of certain activities such as providing insurance as well as the service center to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			3,701,678
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.			(746,836)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:			
Police and fire pension	(487,893)		
Compensated absences payable	<u>(1,150,303)</u>		
			<u>(1,638,196)</u>
<b>Net position of governmental activities</b>		\$	<u><u>44,873,129</u></u>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2014

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Income taxes	\$ 6,105,953	\$ -	\$ -	\$ 6,105,953
Property taxes	2,331,484	-	147,621	2,479,105
Intergovernmental	594,648	-	427,783	1,022,431
Charges for services	1,806,754	-	69,755	1,876,509
Fines, licenses and permits	136,498	-	49,548	186,046
Special assessments	20,744	-	135,631	156,375
Investment earnings	83,180	-	10,035	93,215
Donations	11,205	-	50,554	61,759
Miscellaneous	121,719	1,531	20,942	144,192
<b>Total revenues</b>	<u>11,212,185</u>	<u>1,531</u>	<u>911,869</u>	<u>12,125,585</u>
<b>Expenditures</b>				
Security of persons and property	4,751,878	-	221,598	4,973,476
Public health services	-	-	112,190	112,190
Leisure time activities	874,077	-	78,839	952,916
Community environment	1,645,236	-	595	1,645,831
Transportation	-	-	819,983	819,983
General government	1,785,400	-	13,066	1,798,466
Capital outlay	-	571,092	249,309	820,401
Debt service:				
Principal retirement	-	-	14,734	14,734
Interest and fiscal charges	-	-	21,207	21,207
<b>Total expenditures</b>	<u>9,056,591</u>	<u>571,092</u>	<u>1,531,521</u>	<u>11,159,204</u>
<b>Excess of revenues over (under) expenditures</b>	<u>2,155,594</u>	<u>(569,561)</u>	<u>(619,652)</u>	<u>966,381</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	540,732	667,420	1,208,152
Transfers out	(1,208,152)	-	-	(1,208,152)
<b>Total other financing sources (uses)</b>	<u>(1,208,152)</u>	<u>540,732</u>	<u>667,420</u>	<u>-</u>
Net change in fund balance	947,442	(28,829)	47,768	966,381
Fund balance, beginning of year	5,709,194	431,759	2,260,351	8,401,304
<b>Fund balance, end of year</b>	<u>\$ 6,656,636</u>	<u>\$ 402,930</u>	<u>\$ 2,308,119</u>	<u>\$ 9,367,685</u>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2014

<b>Net change in fund balances - total governmental funds</b>	\$	966,381
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives as depreciation expense:		
Capital asset additions	83,146	
Current year depreciation	<u>(1,316,527)</u>	(1,233,381)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		211,169
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		14,734
Internal service funds are used to charge the costs of certain activities, such as insurance and vehicle maintenance to the individual funds as reported in the Statement of Activities.		(125,675)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	<u>(12,106)</u>	
<b>Change in net position of governmental activities</b>	\$	<u>(178,878)</u>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Net Position

### Proprietary Funds

December 31, 2014

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ 1,538,377	\$ 1,229,338	\$ 96,477	\$ 2,864,192	\$ 126,600
Receivables:					
Accounts	63,203	171,622	34,227	269,052	-
Special assessments	25,531	35,252	5,985	66,768	-
Interest	873	666	-	1,539	-
Prepaid expenses	2,242	1,632	51	3,925	379
Inventory	20,107	1,420	-	21,527	23,236
Total current assets	1,650,333	1,439,930	136,740	3,227,003	150,215
Noncurrent assets:					
Nondepreciable capital assets	283,820	-	-	283,820	25,840
Depreciable capital assets (net of accumulated depreciation)	969,955	972,202	-	1,942,157	3,587,250
Total noncurrent assets	1,253,775	972,202	-	2,225,977	3,613,090
<b>Total assets</b>	<b>2,904,108</b>	<b>2,412,132</b>	<b>136,740</b>	<b>5,452,980</b>	<b>3,763,305</b>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	7,286	3,190	-	10,476	3,542
Contracts payable	1,771	900	305	2,976	138
Accrued wages payable	17,547	11,057	6,039	34,643	6,968
Intergovernmental payable	17,523	164,337	5,843	187,703	7,264
OPWC loan payable	-	25,859	-	25,859	-
Compensated absences payable	45,273	27,897	15,089	88,259	23,606
Total current liabilities	89,400	233,240	27,276	349,916	41,518
Noncurrent liabilities:					
Compensated absences payable	38,566	23,764	12,854	75,184	20,109
OPWC loan payable	-	12,930	-	12,930	-
Total noncurrent liabilities	38,566	36,694	12,854	88,114	20,109
<b>Total liabilities</b>	<b>127,966</b>	<b>269,934</b>	<b>40,130</b>	<b>438,030</b>	<b>61,627</b>
<b>Net Position</b>					
Net investment in capital assets	1,253,776	933,413	-	2,187,189	3,613,090
Unrestricted	1,522,366	1,208,785	96,610	2,827,761	88,588
<b>Total net position</b>	<b>\$ 2,776,142</b>	<b>\$ 2,142,198</b>	<b>\$ 96,610</b>	<b>\$ 5,014,950</b>	<b>\$ 3,701,678</b>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds				\$ 746,836	
Total net position from above				5,014,950	
				\$ 5,761,786	

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2014

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<b><i>Operating Revenues</i></b>					
Charges for services	\$ 828,832	\$ 1,490,953	\$ 278,835	\$ 2,598,620	\$ 642,276
Fines, licenses and permits	790	230	-	1,020	-
Special assessments	25,516	38,275	-	63,791	-
Miscellaneous	5,514	2,955	-	8,469	75
<b>Total operating revenues</b>	<u>860,652</u>	<u>1,532,413</u>	<u>278,835</u>	<u>2,671,900</u>	<u>642,351</u>
<b><i>Operating Expenses</i></b>					
Personnel services	515,401	332,687	174,072	1,022,160	225,798
Contractual services	305,364	957,617	45,223	1,308,204	71,011
Supplies and materials	124,238	8,761	11,596	144,595	330,820
Claims	-	-	-	-	9,485
Miscellaneous	1,000	7,707	16	8,723	327
Depreciation	108,252	31,460	-	139,712	194,019
<b>Total operating expenses</b>	<u>1,054,255</u>	<u>1,338,232</u>	<u>230,907</u>	<u>2,623,394</u>	<u>831,460</u>
<b>Operating income (loss)</b>	<u>(193,603)</u>	<u>194,181</u>	<u>47,928</u>	<u>48,506</u>	<u>(189,109)</u>
<b><i>Non-operating revenues</i></b>					
Investment earnings	15,772	11,224	-	26,996	-
Change in net position	(177,831)	205,405	47,928	75,502	(189,109)
Net position, beginning of year	<u>2,953,973</u>	<u>1,936,793</u>	<u>48,682</u>		<u>3,890,787</u>
<b>Net position, end of year</b>	<u>\$ 2,776,142</u>	<u>\$ 2,142,198</u>	<u>\$ 96,610</u>		<u>\$ 3,701,678</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds				<u>(63,432)</u>	
Change in net position of business-type activities				<u>\$ 12,070</u>	

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2014

	Enterprise Funds				Internal
	Water	Sewer	Stormwater	Total	Service Fund
<b><i>Cash flows from operating activities</i></b>					
Cash received from customers	\$ 872,488	\$ 1,502,088	\$ 274,010	\$ 2,648,586	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	644,668
Cash received from other sources	4,982	41,085	-	46,067	75
Cash payments for employee services and benefits	(524,130)	(337,535)	(175,820)	(1,037,485)	(233,616)
Cash payments for insurance claims	-	-	-	-	(9,485)
Cash payments to suppliers for goods and services	(431,503)	(1,171,786)	(59,740)	(1,663,029)	(407,950)
Cash payments for other operating expenses	(1,000)	(4,517)	(16)	(5,533)	(327)
Net cash provided (used) by operating activities	<u>(79,163)</u>	<u>29,335</u>	<u>38,434</u>	<u>(11,394)</u>	<u>(6,635)</u>
<b><i>Cash flows from capital and related financing activities</i></b>					
Acquisition of capital assets	(49,678)	-	-	(49,678)	-
Principal paid on notes	-	(25,859)	-	(25,859)	-
Net cash used for capital and related financing activities	<u>(49,678)</u>	<u>(25,859)</u>	<u>-</u>	<u>(75,537)</u>	<u>-</u>
<b><i>Cash flows from investing activities</i></b>					
Market gain (loss) on investments	166	665	-	831	-
Proceeds from earnings on investments	15,606	10,559	-	26,165	-
Net cash provided by investing activities	<u>15,772</u>	<u>11,224</u>	<u>-</u>	<u>26,996</u>	<u>-</u>
Net increase (decrease) in cash and investments	(113,069)	14,700	38,434	(59,935)	(6,635)
Equity in pooled cash and investments, beginning of year	<u>1,651,446</u>	<u>1,214,638</u>	<u>58,043</u>	<u>2,924,127</u>	<u>133,235</u>
Equity in pooled cash and investments, end of year	<u>\$ 1,538,377</u>	<u>\$ 1,229,338</u>	<u>\$ 96,477</u>	<u>\$ 2,864,192</u>	<u>\$ 126,600</u>
<b><i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i></b>					
Operating income (loss)	\$ (193,603)	\$ 194,181	\$ 47,928	\$ 48,506	\$ (189,109)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	108,252	31,460	-	139,712	194,019
Changes in assets and liabilities:					
Accounts receivable	16,818	10,761	(4,825)	22,754	2,392
Prepaid expenses	(163)	(85)	(9)	(257)	7
Inventory	(2,200)	(865)	-	(3,065)	(9,244)
Accounts payable	3,861	(89,171)	(2,950)	(88,260)	2,400
Contracts payable	(3,477)	349	30	(3,098)	(770)
Accrued wages payable	343	196	181	720	(430)
Intergovernmental payable	(2,267)	(113,791)	(224)	(116,282)	(2,411)
Compensated absences payable	(6,727)	(3,700)	(1,697)	(12,124)	(3,489)
Net cash provided (used) by operating activities	<u>\$ (79,163)</u>	<u>\$ 29,335</u>	<u>\$ 38,434</u>	<u>\$ (11,394)</u>	<u>\$ (6,635)</u>

See accompanying notes to the basic financial statements.

# CITY OF OAKWOOD, OHIO

## Statement of Assets and Liabilities

### Agency Funds

December 31, 2014

	Martin Luther King Jr. Community Recognition Fund	Municipal Court Fund
<i><b>Assets</b></i>		
Equity in pooled cash and investments	\$ 7,507	\$ -
Cash in segregated accounts	-	32,554
<b>Total assets</b>	<u>\$ 7,507</u>	<u>\$ 32,554</u>
<i><b>Liabilities</b></i>		
Deposits held and due to others	7,507	32,554
<b>Total liabilities</b>	<u>\$ 7,507</u>	<u>\$ 32,554</u>

See accompanying notes to the basic financial statements.

# **CITY OF OAKWOOD, OHIO**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

### **Reporting Entity**

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

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

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

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

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

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

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

Additionally, the City reports the following fund types:

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

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

### **Basis of Accounting**

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

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

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

# **CITY OF OAKWOOD, OHIO**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

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

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

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

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

### **Equity in Pooled Cash and Investments**

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

### **Receivables**

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

# **CITY OF OAKWOOD, OHIO**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

### **Inventory**

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

### **Prepaid Items**

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

### **Long-Term Obligations**

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

### **Capital Assets**

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

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

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

Vehicles and equipment	5-20 years
Buildings and land improvements	10-50 years
Infrastructure	15-50 years

### **Compensated Absences**

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

### **Fund Balance Classifications**

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

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

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

# **CITY OF OAKWOOD, OHIO**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

### **Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the City's \$1,573,058 in restricted net position, none was restricted by enabling legislation.

### **Estimates**

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

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

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

### **Interfund Transactions and Transfers**

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 2 – POOLED CASH AND INVESTMENTS

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

Investment earnings are distributed to the funds according to charter and statutory requirements. Investment earnings reported in the statement of activities for 2014 amounted to \$119,097. This amount includes an increase of \$1,308 to reflect the market value of the City's investments at December 31, 2014.

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

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

*Deposits:* At year end, the carrying amount of the City's cash on hand was \$1,375, the City's deposits were \$9,849,436 and the bank balance was \$9,921,432. Of the bank balance, \$1,317,301 was covered by federal deposit insurance; the remaining \$8,604,131 of the City's bank balance was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name, per Ohio Revised Code Section 135.181. The City has no deposit policy for custodial credit risk.

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

	Fair Value	Investment Maturities (in Years)		
		Less than One Year	One to Five Years	Five to Seven Years
Federal Home Loan Bank	\$ 2,500,280	\$ -	\$ 2,500,280	\$ -
Total	\$ 2,500,280	\$ -	\$ 2,500,280	\$ -

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

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

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

<u>Investment</u>	<u>Percent</u>
Federal Home Loan Bank	100.00%

## NOTE 3 – RECEIVABLES AND PAYABLES

### Income Tax

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 3 – RECEIVABLES AND PAYABLES (Continued)

### Property Taxes

Property taxes include amounts levied against all real, public utility and tangible (used in business) personal property located in the City.

Real property taxes are levied each December 31<sup>st</sup> on the assessed value listed as of the prior December 31<sup>st</sup>. Assessed values are established by State law at 35% of true value. Property market values are required to be updated every three years and revalued every six years. Property values were revalued in 2014 and updated in 2011.

The property tax calendar is as follows:

Levy date	December 31, 2013
Lien date	December 31, 2013
First installment payment due	February 14, 2014
Second installment payment due	July 18, 2014

The assessed values for the City at December 31, 2013 were as follows:

	<u>Assessed Value</u>
Real Estate	\$297,097,000
Tangible Personal Property	<u>1,972,370</u>
Total	<u>\$299,069,370</u>

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 3 – RECEIVABLES AND PAYABLES (Continued)

### Receivables / Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivable for revenues that are not considered available to liquidate liabilities of the current period. The balances at December 31, 2014 were:

	Governmental Funds	
	Receivables	Deferred Inflows of Resources
Property taxes	\$ 2,171,094	\$ 2,105,076
Income taxes	2,169,088	1,613,194
Accounts receivable	171,002	65,096
Special assessments	161,469	161,469
Interest	5,291	-
Intergovernmental	443,820	399,622
	<u>\$ 5,121,764</u>	<u>\$ 4,344,457</u>

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

### Payables

The balances at December 31, 2014 were:

Governmental Funds Payables	
Accounts payable	\$ 14,463
Contracts payable	29,596
Accrued wages	261,861
Intergovernmental	302,504
	<u>\$ 608,424</u>

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u><i>Governmental Activities</i></u>				
Non-depreciable capital assets:				
Land	\$ 4,672,504	\$ -	\$ -	\$ 4,672,504
Depreciable capital assets:				
Buildings	14,862,914	-	-	14,862,914
Land Improvements	2,800,083	-	(2,100)	2,797,983
Equipment	2,437,502	37,239	(66,430)	2,408,311
Vehicles	2,595,417	34,507	(63,494)	2,566,430
Infrastructure	33,750,472	11,400	-	33,761,872
Depreciable capital assets	<u>56,446,388</u>	<u>83,146</u>	<u>(132,024)</u>	<u>56,397,510</u>
Less accumulated depreciation:				
Buildings	(4,980,021)	(480,000)	-	(5,460,021)
Land Improvements	(1,492,562)	(85,734)	2,100	(1,576,196)
Equipment	(2,090,107)	(104,111)	66,430	(2,127,788)
Vehicles	(2,307,954)	(120,951)	63,494	(2,365,411)
Infrastructure	(13,287,595)	(719,750)	-	(14,007,345)
Accumulated depreciation	(24,158,239)	(1,510,546)	132,024	(25,536,761)
Depreciable capital assets, net	<u>32,288,149</u>	<u>(1,427,400)</u>	<u>-</u>	<u>30,860,749</u>
Governmental activities capital assets, net	<u>\$ 36,960,653</u>	<u>\$ (1,427,400)</u>	<u>\$ -</u>	<u>\$ 35,533,253</u>

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 603,513
General government	585,115
Security of persons and property	71,789
Community environment	48,803
Leisure time activities	7,307
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>194,019</u>
Total depreciation expense - governmental activities	<u>\$ 1,510,546</u>

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<i><u>Business-type Activities</u></i>				
Non-depreciable capital assets:				
Land	\$ 283,820	\$ -	\$ -	\$ 283,820
Depreciable capital assets:				
Buildings	815,840	-	-	815,840
Land Improvements	188,534	-	-	188,534
Equipment	2,599,311	49,678	(8,684)	2,640,305
Vehicles	377,887	-	-	377,887
Infrastructure	4,686,447	-	-	4,686,447
Depreciable capital assets	8,668,019	49,678	(8,684)	8,709,013
Less accumulated depreciation:				
Buildings	(465,969)	(65,949)	-	(531,918)
Land Improvements	(133,048)	(5,326)	-	(138,374)
Equipment	(2,553,238)	(12,907)	8,684	(2,557,461)
Vehicles	(374,383)	(2,493)	-	(376,876)
Infrastructure	(3,109,190)	(53,037)	-	(3,162,227)
Accumulated depreciation	(6,635,828)	(139,712)	8,684	(6,766,856)
Depreciable capital assets, net	2,032,191	(90,034)	-	1,942,157
Business-type Activities capital assets, net	<u>\$ 2,316,011</u>	<u>\$ (90,034)</u>	<u>\$ -</u>	<u>\$ 2,225,977</u>

## NOTE 5 – DEFINED BENEFIT PENSION PLANS

Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Ohio Public Employees Retirement System of Ohio (OPERS) or the Ohio Police and Fire Pension Fund (OP&F).

### Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) administers three separate pension plans; the Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year) and accumulate retirement assets equal to the value of the member and employer (vested) contributions plus any investment earnings; and the Combined Plan (CO) – a cost-sharing, multi-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

# **CITY OF OAKWOOD, OHIO**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO plans. Members of the MD plan do not qualify for ancillary benefits. Authority to establish and amend health care coverage is provided 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>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rate was 10.0% and the City's contribution rate was 14.0% of covered payroll. The City's required contributions to the plans for the years ending December 31, 2014, 2013 and 2012 were \$543,537, \$554,821, and \$583,101, respectively. Total contributions for 2014 represented 92.6% of required contributions for the year, with 100% being contributed for 2013 and 2012.

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

The City of Oakwood contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 visiting <https://www.op-f.org> or by writing OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

From January 1, 2014 thru July 1, 2014 plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 thru December 31, 2013, plan members were required to contribute 11.50% of their annual salary. Throughout 2014, employers were required to contribute 19.5% for the City's safety officers. The City's contributions to OP&F for the years ending December 31, 2014, 2013 and 2012 were \$540,616, \$558,420 and \$620,254, respectively. Total contributions for 2014 represented 92.9% of required contributions for the year, with 100% being contributed for 2013 and 2012.

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

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

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

OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CO), all of which are described in note 5. OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which provides a medical plan, prescription drug plan program and Medicare Part B premium reimbursement, to age and service retirees with 10 or more years of qualifying Ohio service credit of both the TP and CO. Members of the MD do not qualify for ancillary benefits, including post-employment health care coverage. Health care coverage for disability recipients and qualified survivor benefit recipients is available.

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

OPERS post-employment healthcare plan was established and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment healthcare benefits. For 2014, the portion of employer contributions allocated to health care for members in the TP and CO plans was 2.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions allocated to fund post-employment benefits for 2014, 2013 and 2012 were \$77,617, \$39,614 and \$166,600 respectively, equal to the required contributions. Changes to the health care plan were adopted in 2012 with a transition plan beginning in 2014. Because of these changes and the

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

recent passage of pension legislation, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the transition period.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

OP&F sponsors a cost-sharing multiple employer defined post-retirement health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

The ORC provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OP&F. A portion of each employer's contribution is set aside for the funding of post-retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5%. The ORC states that the employer contribution may not exceed 19.5% of covered payroll. 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 accounts and one for Medicare Plan B reimbursements administered as an IRS code section 401(h) account, both of which are within the defined benefit pension plan, under authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was 0.50% of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or surviving beneficiaries. Payment amounts vary depending upon the number of covered dependents and the coverage selected. City contributions allocated to fund post-employment benefits for 2014, 2013 and 2012 were \$14,056, \$82,400 and \$214,703, respectively, equal to the required contributions for the year.

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

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 visiting <https://www.op-f.org> or by writing OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

### **Other Employee Benefits:**

#### **Compensated Absences:**

##### **Accumulated Unpaid Vacation**

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City amounted to \$500,821 at December 31, 2014.

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

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

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

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

The total obligation for the sick leave accrual for the City amounted to \$856,640 at December 31, 2014.

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 7 – OTHER COMMITMENTS

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

General fund	\$ 36,723
Capital improvement fund	104,164
Other governmental funds	58,847
Internal Service Funds	1,600
Enterprise Funds	<u>324,752</u>
Total	<u>\$ 526,086</u>

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

### Long-term Obligations

The following is a summary of long-term liability activity for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b><u>Governmental Activities:</u></b>					
Police and Fire Pension	\$ 502,628	\$ -	\$ 14,735	\$ 487,893	\$ 15,367
Compensated Absences Payable	<u>1,185,402</u>	<u>648,530</u>	<u>639,914</u>	<u>1,194,018</u>	<u>644,770</u>
Total	<u>\$ 1,688,030</u>	<u>\$ 648,530</u>	<u>\$ 654,649</u>	<u>\$ 1,681,911</u>	<u>\$ 660,137</u>
 <b><u>Business-Type Activities:</u></b>					
OPWC Loan Payable	\$ 64,647	\$ -	\$ 25,859	\$ 38,788	\$ 25,859
Compensated Absences Payable	<u>175,567</u>	<u>88,774</u>	<u>100,898</u>	<u>163,443</u>	<u>88,259</u>
Total	<u>\$ 240,214</u>	<u>\$ 88,774</u>	<u>\$ 126,757</u>	<u>\$ 202,231</u>	<u>\$ 114,118</u>

In 1969, the City entered into an agreement with the State of Ohio to fund the unfunded pension costs associated with police and fire service. The original obligation was \$718,825 and is being repaid through local property tax revenues. In 1996, the City received an interest free loan through the State of Ohio's Public Works Commission Issue II program in the amount of \$517,177. The proceeds were used to improve the City's sanitary sewer system. Repayment is being made from operating revenues of the sewer fund.

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

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

Principal and interest requirements to retire the city's long-term obligations outstanding at December 31, 2014 were:

Year Ending December 31,	Police and Fire Pension		OPWC Loan Payable	
	Principal	Interest	Principal	Interest
2015	15,367	20,574	25,859	-
2016	16,027	19,914	12,929	-
2017	16,716	19,225	-	-
2018	17,434	18,507	-	-
2019	18,183	17,759	-	-
2020-2025	103,320	76,386	-	-
2025-2029	127,499	52,207	-	-
2030-2034	157,336	22,371	-	-
2035	16,011	340	-	-
Total	<u>\$ 487,893</u>	<u>\$ 247,283</u>	<u>\$ 38,788</u>	<u>\$ -</u>

### Legal Debt Margin

The Ohio Revised Code provides that the total net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of a municipal corporation cannot exceed 5.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. As of December 31, 2014, the City had legal debt margin for total debt of \$31,402,284 and a legal debt margin for unvoted debt of \$16,448,815.

## NOTE 9 – TRANSFERS

The following is a summary of transfers in and out for all funds in 2014:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ -	\$ 1,208,152
Capital improvement	\$ 540,732	\$ -
Other governmental	<u>667,420</u>	<u>-</u>
Total transfers	<u>\$ 1,208,152</u>	<u>\$ 1,208,152</u>

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

# CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2014

## NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City secures general liability, property and automobile coverage through the Ohio Plan Risk Management, Inc. (OPRM). This plan does not operate as a risk pool, but provides insurance protection through reinsurance treaties. The plan retains 47% of the premiums and losses on the first \$250,000 of the casualty treaty and 10% of the first \$1,000,000 property treaty. The City pays an annual premium to OPRM for this coverage. Insurance will cover up to the limits as stated below:

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

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

The City pays the State Workers' Compensation System a premium based on salaries paid. The City also provides medical, dental, vision and life insurance to all full-time employees. In 2014, the City paid approximately 90% of the premiums for medical coverage, approximately 80% of the premiums for dental insurance, and 100% of the premiums for life insurance. The City is self-insured for vision insurance. Vision payments were \$9,485, \$12,597 and \$13,986 for the years ended December 31, 2014, 2013 and 2012, respectively.

## NOTE 11 – CONTINGENT LIABILITIES

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



## **Required Supplementary Information**

# CITY OF OAKWOOD, OHIO

Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis  
General Fund  
For the Year Ended December 31, 2014

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Income taxes	\$ 6,000,000	\$ 6,000,000	\$ 6,392,480	\$ 392,480
Property taxes	2,452,850	2,452,850	2,565,345	112,495
Intergovernmental	320,172	320,172	335,742	15,570
Charges for services	110,625	110,625	113,502	2,877
Fines, licenses and permits	161,300	161,300	131,976	(29,324)
Investment earnings	30,000	30,000	44,462	14,462
Donations	1,700	1,700	11,205	9,505
Miscellaneous	32,200	32,200	117,410	85,210
<b>Total revenues</b>	<u>9,108,847</u>	<u>9,108,847</u>	<u>9,712,122</u>	<u>603,275</u>
<b>Expenditures</b>				
Current:				
Security of persons and property	5,095,610	5,095,610	4,775,050	320,560
Community environment	576,931	576,931	511,606	65,325
General government	2,072,774	2,072,774	1,787,355	285,419
<b>Total expenditures</b>	<u>7,745,315</u>	<u>7,745,315</u>	<u>7,074,011</u>	<u>671,304</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,363,532</u>	<u>1,363,532</u>	<u>2,638,111</u>	<u>1,274,579</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(1,805,956)	(1,805,956)	(1,526,102)	279,854
<b>Total other financing sources (uses)</b>	<u>(1,805,956)</u>	<u>(1,805,956)</u>	<u>(1,526,102)</u>	<u>279,854</u>
Net change in fund balance	(442,424)	(442,424)	1,112,009	1,554,433
Fund balance, beginning of year	3,951,755	3,951,755	3,951,755	-
Expenditures of prior years' encumbrances	(49,289)	(49,289)	(49,289)	-
<b>Fund balance, end of year</b>	<u>\$ 3,460,042</u>	<u>\$ 3,460,042</u>	<u>\$ 5,014,475</u>	<u>\$ 1,554,433</u>

See notes to required supplementary information.

# **CITY OF OAKWOOD, OHIO**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended December 31, 2014

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

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

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

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

## **Note 2 – Budgetary Process**

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

# CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information  
For the Fiscal Year Ended December 31, 2014

## Note 2 – Budgetary Process (Continued)

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

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

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

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

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

	General Fund
GAAP Basis	\$ 947,442
Adjustments:	
Other fund balances included in governmental GAAP basis	(27,534)
Revenue accruals	187,807
Expenditure accruals	2,829
Encumbrances	(34,476)
Transfers	35,941
Budgetary Basis	<u>\$ 1,112,009</u>



# Dave Yost • Auditor of State

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

City of Oakwood  
Montgomery County  
30 Park Avenue  
Oakwood, Ohio 45419

To the Mayor and the City 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Montgomery County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 11, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City'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 City'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 City'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the City'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and last name "Yost" clearly legible.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 11, 2015