



City of Oakwood

Basic Financial Statements
For the Year Ended
December 31, 2015

City of Oakwood, Ohio

Basic Financial Statements
For the Year Ended December 31, 2015

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

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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 City of Oakwood, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, the required budgetary comparison schedule*, and schedules of net pension liabilities and pension contributions 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 July 18, 2016, 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

July 18, 2016

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2015

Our discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2015. The City is still dealing with the impact of the State's reduction in the local share of sales tax distributions (the Local Government Fund) and the elimination of the estate tax in 2013. An improving economy will result in a continued increase in income tax receipts as well as property tax valuations in the future.

Financial Highlights

- Net position increased by \$340,647 or 0.81% and unrestricted net position increased \$1,096,253 or 46.22%.
- Total revenues increased \$430,561 or 2.86% and total expenses decreased \$76,894 or 0.51%.
- Income taxes increased \$558,108 or 9.14%.
- Total fund balances of governmental activities increased by \$827,326 or 8.83%.
- Governmental fund revenues increased \$340,749 or 2.81% and governmental fund expenditures increased \$479,804 or 4.30%.
- The net position of the City's business-type activities decreased by \$156,644 or 3.03%.
- Total revenue of business-type activities increased \$37,507 or 1.39% and total expenses increased \$206,221 or 7.68%.
- The City implemented GASB Statement No. 68 adding a net pension liability of \$10,132,803.
- The General Fund balance increased \$1,377,656 or 20.70%.
- The General Fund revenues increased \$341,095 or 3.04% and expenditures decreased \$62,398 or 0.69%.

Using this Annual Financial Report

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

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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 2015?" The Statement of Net Position and the Statement of Activities help to answer this question. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about each major fund. The major funds of the City include the General, Capital Improvement, Water and Sewer funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds,

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and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

Governmental Funds

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

Proprietary Funds

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

Agency Funds

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

The City as a Whole

The largest impact on the City's financial statement in 2015 had absolutely no impact on the City's financial condition; the implementation of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27". GASB 68 required the City to recognize a new liability of over \$10 million, and consequently reduced the City's net position by the same. For reasons discussed below, this new liability serves only to distort the true financial position of the City. Users of this financial statement will gain a clearer understanding

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of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State

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statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$50,634,915 to \$41,942,786.

For 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total of \$42.3 million. This represents an increase of 0.81% 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 \$1,096,253 or 46.22%. The improved economy, resulting in an 8.24% increase in income taxes, is the main explanation for the fluctuation from year to year.

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	
	2015	2014-Restated	2015	2014-Restated	2015	2014-Restated
Current and other assets	\$ 14,985,031	\$ 13,965,547	\$ 3,833,432	\$ 3,973,839	\$ 18,818,463	\$ 17,939,386
Capital assets, net	34,758,514	35,533,253	2,219,246	2,225,977	36,977,760	37,759,230
Total assets	<u>49,743,545</u>	<u>49,498,800</u>	<u>6,052,678</u>	<u>6,199,816</u>	<u>55,796,223</u>	<u>55,698,616</u>
Deferred outflows of resources:						
Pensions	1,352,007	887,711	120,402	80,420	1,472,409	968,131
Total deferred outflows of resources	<u>1,352,007</u>	<u>887,711</u>	<u>120,402</u>	<u>80,420</u>	<u>1,472,409</u>	<u>968,131</u>
Current and other liabilities	691,964	867,938	303,498	235,798	995,462	1,103,736
Long-term liabilities:						
Due within one year	690,147	660,137	127,174	114,118	817,321	774,255
Due in more than one year	10,264,204	10,013,939	713,396	756,209	10,977,600	10,770,148
Total liabilities	<u>11,646,315</u>	<u>11,542,014</u>	<u>1,144,068</u>	<u>1,106,125</u>	<u>12,790,383</u>	<u>12,648,139</u>
Deferred inflows of resources:						
Property taxes	2,131,651	2,075,822	-	-	2,131,651	2,075,822
Pensions	51,620	-	11,545	-	63,165	-
Total deferred inflows of resources	<u>2,183,271</u>	<u>2,075,822</u>	<u>11,545</u>	<u>-</u>	<u>2,194,816</u>	<u>2,075,822</u>
Net position:						
Invested in capital assets, net	34,758,514	35,810,949	2,206,317	2,187,189	36,964,831	37,998,138
Restricted	1,850,759	1,573,058	-	-	1,850,759	1,573,058
Unrestricted	656,693	(615,332)	2,811,150	2,986,922	3,467,843	2,371,590
Total net position	<u>\$ 37,265,966</u>	<u>\$ 36,768,675</u>	<u>\$ 5,017,467</u>	<u>\$ 5,174,111</u>	<u>\$ 42,283,433</u>	<u>\$ 41,942,786</u>

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TABLE 2
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014-Restated	2015	2014-Restated	2015	2014-Restated
Revenues						
Program revenues:						
Charges for services	\$ 2,328,831	\$ 2,218,348	\$ 2,730,083	\$ 2,663,431	\$ 5,058,914	\$ 4,881,779
Operating grants & contributions	463,660	493,117	-	-	463,660	493,117
Capital grants & contributions	-	32,481	-	-	-	32,481
General revenues:						
Income taxes	6,904,913	6,379,155	-	-	6,904,913	6,379,155
Property taxes	2,366,833	2,478,899	-	-	2,366,833	2,478,899
Unrestricted grants & contributions	520,423	498,460	-	-	520,423	498,460
Investment earnings	55,001	92,101	10,062	26,996	65,063	119,097
Miscellaneous	90,147	144,193	(3,742)	8,469	86,405	152,662
Total revenues	<u>12,729,808</u>	<u>12,336,754</u>	<u>2,736,403</u>	<u>2,698,896</u>	<u>15,466,211</u>	<u>15,035,650</u>
Program Expenses						
Security of persons and property	5,137,824	5,079,274	-	-	5,137,824	5,079,274
Public health services	82,549	112,925	-	-	82,549	112,925
Leisure time activities	901,207	965,187	-	-	901,207	965,187
Community environment	1,714,750	1,717,406	-	-	1,714,750	1,717,406
Transportation	934,428	854,310	-	-	934,428	854,310
General government	2,260,703	2,424,555	-	-	2,260,703	2,424,555
Public works	1,180,482	1,340,768	-	-	1,180,482	1,340,768
Interest and fiscal charges	20,574	21,207	-	-	20,574	21,207
Water	-	-	1,131,444	1,117,688	1,131,444	1,117,688
Sewer	-	-	1,546,963	1,338,230	1,546,963	1,338,230
Stormwater	-	-	214,640	230,908	214,640	230,908
Total expenses	<u>12,232,517</u>	<u>12,515,632</u>	<u>2,893,047</u>	<u>2,686,826</u>	<u>15,125,564</u>	<u>15,202,458</u>
Changes in net position	497,291	(178,878)	(156,644)	12,070	340,647	(166,808)
Net position, beginning of year, restated	36,768,675	N/A	5,174,111	N/A	41,942,786	N/A
Net position, end of year	<u>\$ 37,265,966</u>	<u>\$ 36,768,675</u>	<u>\$ 5,017,467</u>	<u>\$ 5,174,111</u>	<u>\$ 42,283,433</u>	<u>\$ 41,942,786</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$968,132 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$1,030,241. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 15,125,564
Program expenses under GASB 68	(1,030,241)
2015 contractually required contributions	<u>998,815</u>
Adjusted 2015 program expenses	<u>15,094,138</u>
Total 2014 program expenses under GASB 27	<u>15,202,458</u>
	<u><u>\$ (108,320)</u></u>

CITY OF OAKWOOD, OHIO
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Governmental Activities

TABLE 3
ANALYSIS OF PROGRAM EXPENSES
GOVERNMENTAL ACTIVITIES

	Total Expense by Function / Program	Percentage of Total Program Expenses	Total Program Revenue	Net Expense of Function	Percentage of Function Financed with General Revenues
<i>Program Expenses</i>					
Security of persons and property	\$ 5,137,824	42.00%	\$ (311,992)	\$ 4,825,832	93.93%
Public health services	82,549	0.67%	(37,419)	45,130	54.67%
Leisure time activities	901,207	7.37%	(488,115)	413,092	45.84%
Community environment	1,714,750	14.02%	(1,188,395)	526,355	30.70%
Transportation	934,428	7.64%	(417,794)	516,634	55.29%
General government	2,260,703	18.48%	(348,776)	1,911,927	84.57%
Public works	1,180,482	9.65%	-	1,180,482	100.00%
Interest and fiscal charges	20,574	0.17%	-	20,574	100.00%
	<u>\$ 12,232,517</u>	<u>100.00%</u>	<u>\$ (2,792,491)</u>	<u>\$ 9,440,026</u>	<u>77.17%</u>

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.

As indicated by Table 3, the City is spending more than half of its resources (56.02%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 42.00% of total program expenses, revenues generated by the public safety department cover only 6.07% of functional expenses. This means that general revenues collected by the City, principally income and property taxes, must cover the remaining 93.93% 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 18.48% 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 54.16% of the leisure time activities functional expenses. Expenses associated with street resurfacing, street maintenance, snow removal and operation of the public works department are all included within the transportation function.

General revenues comprise 78.06% of the total governmental revenues collected by the City during 2015. Principal components of general revenues; including income taxes (69.48%) and property taxes (23.82%), are used to furnish the quality of life and services to citizens and businesses to which they have become accustomed.

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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 2015 experienced an operating loss of \$229,183, compared to a loss of \$193,603 in 2014. 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, 2015 the unrestricted net position represented 92.07% of the operating expenses reported for 2015.

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 \$19,265 during 2015 as compared to \$194,181 reported for 2014.

Stormwater – The City's stormwater department is responsible for managing stormwater runoff in a manner consistent with the EPA's National Pollutant Discharge System standards. Citizens are charged a stormwater fee based on their impervious area of developed property. The fund experienced operating income in 2015 of \$61,011 as compared to \$47,928 reported in 2014.

Overall, the City's business-type activities generated \$2.73 million in program revenue during 2015, while program expenses were \$2.89 million. The business-type activities incurred an overall decrease in net position of \$156,644. It should be noted that the unrestricted net position of the business-type activities totaled \$2.81 million at the end of 2015. The amount of unrestricted net position for business-type activities reported at December 31, 2015 equaled 97.17% of the total expenses reported for business-type activities for 2015. 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 \$12.47 million and expenditures of \$11.64 million for 2015. In total, the governmental funds reported an \$827,326 increase in total fund balance for the year. In 2014, the fund balance of the City's

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governmental funds increased by \$966,381. Most of the increase in 2015 is associated with the increase in income taxes as a result of the improving economy. The increase in 2014 was a result of property tax receipts from the property tax levy passed in 2013. 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, 2015 were \$9.99 million, or 85.86% of the total expenditures reported for the governmental funds for 2015.

The City's General Fund realized a \$1,377,656 increase in fund balance during 2015 as compared to the \$947,442 increase in 2014. The change in general fund balance in 2015 versus 2014 is primarily the result of an improving economy resulting in an increase of income tax receipts of \$558,108. 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 \$1,181,431 to other funds in 2015 as compared to \$1,208,152 to other funds in 2014.

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 \$9.71 million as compared to the actual revenues received of \$9.96 million. The City's variances in revenues received were from the following:

- Income tax receipts were \$170,164 more than budget;
- Property tax receipts were \$29,196 more than budget;
- Fines, licenses and permits were \$25,137 more than budget.

The budgeted expenditures of the City did not change from the original budget to the final budget. Actual expenditures were \$654,895 less than budgeted expenditures. For the year ended December 31, 2015 the total actual budgetary change in fund balance for the General Fund was an increase of \$1,279,151 resulting in a reported

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2015

\$6,290,420 ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 86.70% of the total budgetary expenditures of the General Fund for 2015.

Capital Assets

At the end of 2015, the City had a total of \$69.35 million invested in capital assets less accumulated depreciation of \$32.38 million resulting in total capital assets, net of accumulated depreciation of \$36.98 million.

During 2015, asset additions were as follows:

- Two new police vehicles totaling \$64,000;
- Infrastructure and building improvements totaling \$67,500;
- Various equipment totaling \$118,500;
- \$476,100 for asphalt and concrete street programs; and
- \$104,000 for the water meter automated meter reading system.

Table 4 shows 2015 capital asset balances compared to those of 2014:

TABLE 4
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,672,504	\$ 4,672,504	\$ 283,820	\$ 283,820	\$ 4,956,324	\$ 4,956,324
Buildings	8,983,848	9,402,893	260,738	283,922	9,244,586	9,686,815
Land Improvements	1,171,054	1,221,787	44,833	50,160	1,215,887	1,271,947
Equipment	260,780	280,523	158,568	82,844	419,348	363,367
Vehicles	155,963	201,019	-	1,011	155,963	202,030
Infrastructure	<u>19,514,365</u>	<u>19,754,527</u>	<u>1,471,287</u>	<u>1,524,220</u>	<u>20,985,652</u>	<u>21,278,747</u>
Total	<u>\$ 34,758,514</u>	<u>\$ 35,533,253</u>	<u>\$ 2,219,246</u>	<u>\$ 2,225,977</u>	<u>\$ 36,977,760</u>	<u>\$ 37,759,230</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, 2015, the City had a total of approximately \$485,450 of long-term debt obligations compared with approximately \$527,000 of long-term debt reported at December 31, 2014.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2015

Governmental debt obligations include \$472,525 of police and fire pension liability.

The \$12,929 Ohio Public Works Commission (OPWC) loan reported in the City's sewer fund was reduced by \$25,859 from the \$38,788 reported on December 31, 2014. 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, 2015, the City's overall legal debt margin was \$22.28 million and the unvoted debt margin was \$7.43 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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 10,062,144	\$ 2,743,104	\$ 12,805,248
Cash in segregated accounts	13,642	-	13,642
Receivables:			
Property taxes	2,167,713	-	2,167,713
Income taxes	2,496,296	-	2,496,296
Accounts	184,012	291,422	475,434
Special assessments	165,748	71,270	237,018
Interest	10,481	3,048	13,529
Intergovernmental	432,288	-	432,288
Prepaid expenses	35,378	5,015	40,393
Internal balances	(707,068)	707,068	-
Inventory	124,397	12,505	136,902
Nondepreciable capital assets	4,672,504	283,820	4,956,324
Depreciable capital assets (net of accumulated depreciation)	30,086,010	1,935,426	32,021,436
Total assets	\$ 49,743,545	\$ 6,052,678	\$ 55,796,223
Deferred Outflows of Resources			
Pensions	1,352,007	120,402	1,472,409
Total deferred outflows of resources	1,352,007	120,402	1,472,409
Liabilities			
Accounts payable	9,682	11,320	21,002
Contracts payable	19,928	1,427	21,355
Accrued wages payable	78,706	7,749	86,455
Intergovernmental payable	249,588	283,002	532,590
Unearned revenue - income tax credits	334,060	-	334,060
Long-term liabilities:			
Due within one year	690,147	127,174	817,321
Due within more than one year			
Net pension liability	9,475,677	657,126	10,132,803
Other amounts	788,527	56,270	844,797
Total liabilities	11,646,315	1,144,068	12,790,383
Deferred Inflows of Resources			
Property taxes	2,131,651	-	2,131,651
Pensions	51,620	11,545	63,165
Total deferred inflows of resources	2,183,271	11,545	2,194,816
Net Position			
Net investment in capital assets	34,758,514	2,206,317	36,964,831
Restricted for:			
Capital purposes	308,016	-	308,016
Other purposes	1,491,418	-	1,491,418
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	1,325	-	1,325
Unrestricted	656,693	2,811,150	3,467,843
Total net position	\$ 37,265,966	\$ 5,017,467	\$ 42,283,433

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Activities For the Year Ended December 31, 2015

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Security of persons and property	\$ 5,137,824	\$ 283,207	\$ 28,785	\$ (4,825,832)	\$ -	\$ (4,825,832)
Public health services	82,549	35,695	1,724	(45,130)	-	(45,130)
Leisure time activities	901,207	480,753	7,362	(413,092)	-	(413,092)
Community environment	1,714,750	1,188,395	-	(526,355)	-	(526,355)
Transportation	934,428	-	417,794	(516,634)	-	(516,634)
General government	2,260,703	340,781	7,995	(1,911,927)	-	(1,911,927)
Public works	1,180,482	-	-	(1,180,482)	-	(1,180,482)
Interest on long-term debt	20,574	-	-	(20,574)	-	(20,574)
Total governmental activities	\$ 12,232,517	\$ 2,328,831	\$ 463,660	(9,440,026)	-	(9,440,026)
Business-type activities:						
Water	1,131,444	888,307	-	-	(243,137)	(243,137)
Sewer	1,546,963	1,566,157	-	-	19,194	19,194
Stormwater	214,640	275,619	-	-	60,979	60,979
Total business-type activities	2,893,047	2,730,083	-	-	(162,964)	(162,964)
Total	\$ 15,125,564	\$ 5,058,914	\$ 463,660	(9,440,026)	(162,964)	(9,602,990)
General revenues:						
Taxes:						
Income taxes				6,904,913	-	6,904,913
Property taxes levied for:						
General purposes				2,292,297	-	2,292,297
Police and fire pension				74,536	-	74,536
Grants and contributions not restricted to specific programs				520,423	-	520,423
Investment earnings				55,001	10,062	65,063
Miscellaneous				90,147	(3,742)	86,405
Total general revenues				9,937,317	6,320	9,943,637
Change in net position				497,291	(156,644)	340,647
Net position, beginning of year - restated				36,768,675	5,174,111	41,942,786
Net position, end of year				\$ 37,265,966	\$ 5,017,467	\$ 42,283,433

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Balance Sheet Governmental Funds December 31, 2015

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 7,845,572	\$ 165,258	\$ 1,924,752	\$ 9,935,582
Cash in segregated accounts	12,046	-	1,596	13,642
Receivables:				
Property taxes	2,095,168	-	72,545	2,167,713
Income taxes	2,496,296	-	-	2,496,296
Accounts	152,853	2,124	27,043	182,020
Special assessments	31,877	-	133,871	165,748
Interest	9,653	-	828	10,481
Intergovernmental	231,203	-	201,085	432,288
Prepaid expenses	25,885	-	8,810	34,695
Inventory	34,202	-	68,110	102,312
Total assets	<u>12,934,755</u>	<u>167,382</u>	<u>2,438,640</u>	<u>15,540,777</u>
Liabilities				
Accounts payable	3,572	-	4,404	7,976
Contracts payable	6,999	5,722	7,207	19,928
Accrued wages payable	71,889	-	5,165	77,054
Intergovernmental payable	220,841	-	22,147	242,988
Unearned revenue - income tax credits	334,061	-	-	334,061
Total liabilities	<u>637,362</u>	<u>5,722</u>	<u>38,923</u>	<u>682,007</u>
Deferred Inflows of Resources				
Unavailable revenue - income taxes	1,854,046	-	-	1,854,046
Unavailable revenue - property taxes	2,095,168	-	72,545	2,167,713
Unavailable revenue - other	313,887	2,124	325,989	642,000
Total deferred inflows of resources	<u>4,263,101</u>	<u>2,124</u>	<u>398,534</u>	<u>4,663,759</u>
Fund Balances				
Nonspendable:				
Prepaid expenses and inventory	60,087	-	76,920	137,007
Unclaimed monies	14,413	-	-	14,413
Permanent Funds - Bullock Endowment	-	-	50,000	50,000
Restricted:				
Security of persons and property	-	-	566,785	566,785
Public health services	-	-	20,669	20,669
Leisure time activities	-	-	400,786	400,786
Community environment	-	-	1,325	1,325
Transportation	-	-	681,435	681,435
Municipal court activities	-	-	145,021	145,021
Committed:				
Capital projects fund	334,221	159,536	58,242	551,999
Assigned:				
General government	536,390	-	-	536,390
Unassigned:				
General fund	7,089,181	-	-	7,089,181
Total fund balances	<u>8,034,292</u>	<u>159,536</u>	<u>2,001,183</u>	<u>10,195,011</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,934,755</u>	<u>\$ 167,382</u>	<u>\$ 2,438,640</u>	<u>\$ 15,540,777</u>

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, 2015

Fund balance - total governmental funds		\$	10,195,011
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.			31,339,443
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:			
Property and other taxes	36,062		
Income taxes	1,854,046		
Intergovernmental	389,702		
Special assessments	165,749		
Charges for services	76,069		
Interest	<u>10,481</u>		
			2,532,109
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.			3,416,780
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.			(707,068)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:			
Police and fire pension	(472,526)		
Compensated absences payable	<u>(980,131)</u>		
			<u>(1,452,657)</u>
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows - pension	1,326,174		
Deferred inflows - pension	(49,143)		
Net pension liability	<u>(9,334,683)</u>		
			<u>(8,057,652)</u>
Net position of governmental activities		\$	<u><u>37,265,966</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, 2015

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Income taxes	\$ 6,664,061	\$ -	\$ -	\$ 6,664,061
Property taxes	2,218,042	-	141,984	2,360,026
Intergovernmental	518,646	-	431,144	949,790
Charges for services	1,813,515	-	109,099	1,922,614
Fines, licenses and permits	186,891	-	57,857	244,748
Special assessments	27,431	-	136,478	163,909
Investment earnings	34,303	-	10,216	44,519
Donations	8,102	-	18,419	26,521
Miscellaneous	82,289	-	7,857	90,146
Total revenues	<u>11,553,280</u>	<u>-</u>	<u>913,054</u>	<u>12,466,334</u>
Expenditures				
Security of persons and property	4,805,687	-	236,770	5,042,457
Public health services	-	-	115,753	115,753
Leisure time activities	850,002	-	81,483	931,485
Community environment	1,650,499	-	-	1,650,499
Transportation	-	-	902,179	902,179
General government	1,688,005	-	7,180	1,695,185
Capital outlay	-	609,637	655,872	1,265,509
Debt service:				
Principal retirement	-	-	15,367	15,367
Interest and fiscal charges	-	-	20,574	20,574
Total expenditures	<u>8,994,193</u>	<u>609,637</u>	<u>2,035,178</u>	<u>11,639,008</u>
Excess of revenues over (under) expenditures	<u>2,559,087</u>	<u>(609,637)</u>	<u>(1,122,124)</u>	<u>827,326</u>
Other financing sources (uses)				
Transfers in	-	366,243	815,188	1,181,431
Transfers out	(1,181,431)	-	-	(1,181,431)
Total other financing sources (uses)	<u>(1,181,431)</u>	<u>366,243</u>	<u>815,188</u>	<u>-</u>
Net change in fund balance	1,377,656	(243,394)	(306,936)	827,326
Fund balance, beginning of year	<u>6,656,636</u>	<u>402,930</u>	<u>2,308,119</u>	<u>9,367,685</u>
Fund balance, end of year	<u>\$ 8,034,292</u>	<u>\$ 159,536</u>	<u>\$ 2,001,183</u>	<u>\$ 10,195,011</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, 2015

Net change in fund balances - total governmental funds \$ 827,326

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	726,146	
Current year depreciation	<u>(1,270,238)</u>	
		(544,092)

Governmental funds only report the disposal of assets to the extent
proceeds are received from the sale. In the Statement of Activities,
gain or loss is reported for each disposal. This is the amount of the
loss on the disposal of capital assets. There were no proceeds.

(36,628)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds:

263,474

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.

15,367

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

895,157

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

(944,388)

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.

(149,099)

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>170,174</u>	
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Change in net position of governmental activities \$ 497,291

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2015

	Enterprise Funds				Internal
	Water	Sewer	Stormwater	Total	Service Fund
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 1,322,563	\$ 1,273,746	\$ 146,795	\$ 2,743,104	\$ 126,561
Receivables:					
Accounts	68,652	187,422	35,348	291,422	1,992
Special assessments	27,283	37,095	6,892	71,270	-
Interest	1,730	1,318	-	3,048	-
Prepaid expenses	2,830	1,993	192	5,015	684
Inventory	11,171	1,334	-	12,505	22,085
Total current assets	1,434,229	1,502,908	189,227	3,126,364	151,322
Noncurrent assets:					
Nondepreciable capital assets	283,820	-	-	283,820	25,840
Depreciable capital assets (net of accumulated depreciation)	948,734	986,692	-	1,935,426	3,393,231
Total noncurrent assets	1,232,554	986,692	-	2,219,246	3,419,071
Total assets	2,666,783	2,489,600	189,227	5,345,610	3,570,393
Deferred Outflows of Resources					
Pensions	61,593	38,006	20,803	120,402	25,833
Total deferred outflows of resources	61,593	38,006	20,803	120,402	25,833
Liabilities					
Current Liabilities:					
Accounts payable	11,320	-	-	11,320	1,704
Contracts payable	571	571	285	1,427	-
Accrued wages payable	3,814	2,536	1,399	7,749	1,652
Intergovernmental payable	17,739	260,141	5,122	283,002	6,600
OPWC loan payable	-	12,929	-	12,929	-
Compensated absences payable	61,279	34,776	18,190	114,245	17,433
Total current liabilities	94,723	310,953	24,996	430,672	27,389
Noncurrent liabilities:					
Net pension liability	336,161	207,425	113,540	657,126	140,994
Compensated absences payable	30,182	17,129	8,959	56,270	8,586
Total noncurrent liabilities	366,343	224,554	122,499	713,396	149,580
Total liabilities	461,066	535,507	147,495	1,144,068	176,969
Deferred Inflows of Resources					
Pensions	5,906	3,644	1,995	11,545	2,477
Total deferred inflows of resources	5,906	3,644	1,995	11,545	2,477
Net Position					
Net investment in capital assets	1,232,554	973,763	-	2,206,317	3,419,071
Unrestricted	1,028,850	1,014,692	60,540	2,104,082	(2,291)
Total net position	\$ 2,261,404	\$ 1,988,455	\$ 60,540	\$ 4,310,399	\$ 3,416,780

Adjustment to reflect consolidation of internal service
fund activities related to enterprise funds

\$ 707,068

Total net position from above

4,310,399

\$ 5,017,467

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, 2015

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<i>Operating Revenues</i>					
Charges for services	\$ 864,161	\$ 1,529,864	\$ 275,618	\$ 2,669,643	\$ 596,455
Fines, licenses and permits	-	245	-	245	-
Special assessments	24,032	36,049	-	60,081	-
Miscellaneous	114	69	33	216	-
Total operating revenues	<u>888,307</u>	<u>1,566,227</u>	<u>275,651</u>	<u>2,730,185</u>	<u>596,455</u>
<i>Operating Expenses</i>					
Personnel services	516,456	324,708	172,894	1,014,058	214,297
Contractual services	327,371	1,179,502	36,897	1,543,770	71,392
Supplies and materials	199,835	5,370	4,849	210,054	271,552
Claims	-	-	-	-	9,361
Miscellaneous	2,413	1,991	-	4,404	179
Depreciation	71,415	35,391	-	106,806	194,019
Total operating expenses	<u>1,117,490</u>	<u>1,546,962</u>	<u>214,640</u>	<u>2,879,092</u>	<u>760,800</u>
Operating income (loss)	<u>(229,183)</u>	<u>19,265</u>	<u>61,011</u>	<u>(148,907)</u>	<u>(164,345)</u>
<i>Non-operating revenues</i>					
Investment earnings	5,717	4,345	-	10,062	-
Loss on disposal of assets	(3,844)	-	-	(3,844)	-
Change in net position	(227,310)	23,610	61,011	(142,689)	(164,345)
Net position, beginning of year - restated	<u>2,488,714</u>	<u>1,964,845</u>	<u>(471)</u>		<u>3,581,125</u>
Net position, end of year	<u>\$ 2,261,404</u>	<u>\$ 1,988,455</u>	<u>\$ 60,540</u>		<u>\$ 3,416,780</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds				<u>(13,955)</u>	
Change in net position of business-type activities				<u>\$ (156,644)</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, 2015

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<i>Cash flows from operating activities</i>					
Cash received from customers	\$ 880,992	\$ 1,548,515	\$ 273,591	\$ 2,703,098	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	596,455
Cash received from other sources	113	68	33	214	-
Cash payments for employee services and benefits	(522,096)	(339,092)	(181,540)	(1,042,728)	(242,698)
Cash payments for insurance claims	-	-	-	-	(9,362)
Cash payments to suppliers for goods and services	(523,232)	(1,087,855)	(41,766)	(1,652,853)	(344,255)
Cash payments for other operating expenses	(3,270)	(5,833)	-	(9,103)	(179)
Net cash provided (used) by operating activities	(167,493)	115,803	50,318	(1,372)	(39)
<i>Cash flows from capital and related financing activities</i>					
Acquisition of capital assets	(54,038)	(49,881)	-	(103,919)	-
Principal paid on notes	-	(25,859)	-	(25,859)	-
Net cash used for capital and related financing activities	(54,038)	(75,740)	-	(129,778)	-
<i>Cash flows from investing activities</i>					
Market gain (loss) on investments	(1,021)	(775)	-	(1,796)	-
Proceeds from earnings on investments	6,738	5,120	-	11,858	-
Net cash provided by investing activities	5,717	4,345	-	10,062	-
Net increase (decrease) in cash and investments	(215,814)	44,408	50,318	(121,088)	(39)
Equity in pooled cash and investments, beginning of year	1,538,377	1,229,338	96,477	2,864,192	126,600
Equity in pooled cash and investments, end of year	\$ 1,322,563	\$ 1,273,746	\$ 146,795	\$ 2,743,104	\$ 126,561
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating income (loss)	\$ (229,183)	\$ 19,265	\$ 61,011	\$ (148,907)	\$ (164,345)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	71,415	35,391	-	106,806	194,019
Changes in assets and liabilities:					
Accounts receivable	(8,058)	(18,296)	(2,028)	(28,382)	(1,992)
Prepaid expenses	(588)	(361)	(141)	(1,090)	(305)
Inventory	8,936	86	-	9,022	1,151
Deferred outflows of resources - pension	(20,453)	(12,621)	(6,908)	(39,982)	(8,578)
Accounts payable	4,034	(3,190)	-	844	(1,838)
Contracts payable	(1,200)	(329)	(20)	(1,549)	(138)
Accrued wages payable	(13,733)	(8,521)	(4,640)	(26,894)	(5,316)
Intergovernmental payable	216	95,804	(721)	95,299	(664)
Net pension liability	7,593	4,687	2,564	14,844	3,186
Compensated absences payable	7,622	244	(794)	7,072	(17,696)
Deferred inflows of resources - pensions	5,906	3,644	1,995	11,545	2,477
Net cash provided (used) by operating activities	\$ (167,493)	\$ 115,803	\$ 50,318	\$ (1,372)	\$ (39)

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Assets and Liabilities Agency Funds December 31, 2015

	Martin Luther King Jr. Community Recognition Fund	Fire Insurance Trust Fund	Municipal Court Fund
<i>Assets</i>			
Equity in pooled cash and investments	\$ 7,507	\$ 34,750	\$ -
Cash in segregated accounts	-	-	33,738
Total assets	<u>\$ 7,507</u>	<u>\$ 34,750</u>	<u>\$ 33,738</u>
<i>Liabilities</i>			
Deposits held and due to others	7,507	34,750	33,738
Total liabilities	<u>\$ 7,507</u>	<u>\$ 34,750</u>	<u>\$ 33,738</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, 2015

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015

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, 2015

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, 2015

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the City's \$1,850,759 in restricted net position, none was restricted by enabling legislation.

Estimates

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

Grants and Other Intergovernmental Revenues

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions and Transfers

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

NOTE 2 – POOLED CASH AND INVESTMENTS

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

Investment earnings are distributed to the funds according to charter and statutory requirements. Investment earnings reported in the statement of activities for 2015 amounted to \$65,063. This amount includes a decrease of \$10,422 to reflect the market value of the City’s investments at December 31, 2015.

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Deposits: At year end, the carrying amount of the City's cash on hand was \$1,375, the City's deposits were \$5,705,676 and the bank balance was \$5,828,809. Of the bank balance, \$1,312,675 was covered by federal deposit insurance; the remaining \$4,516,134 of the City's bank balance was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name, per Ohio Revised Code Section 135.181. The City has no investment policy for custodial credit risk.

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

	Fair Value	Investment Maturities (in Years)		
		Less than One Year	One to Five Years	Five to Seven Years
Federal Home Loan Mortgage Corp	\$ 5,692,883	\$ -	\$ 5,692,883	\$ -
Federal National Mortgage Association	1,494,950		1,494,950	
Total	<u>\$ 7,187,833</u>	<u>\$ -</u>	<u>\$ 7,187,833</u>	<u>\$ -</u>

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	79.20%
Federal National Mortgage Association	20.80%

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

Property Taxes

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

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

The property tax calendar is as follows:

Levy date	December 31, 2014
Lien date	December 31, 2014
First installment payment due	February 20, 2015
Second installment payment due	July 17, 2015

The assessed values for the City at December 31, 2014 were as follows:

	<u>Assessed Value</u>
Real Estate	\$295,064,130
Tangible Personal Property	<u>2,058,770</u>
Total	<u>\$297,122,900</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, 2015

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, 2015 were:

	Governmental Funds	
	Receivables	Deferred Inflows of Resources
Property taxes	\$ 2,167,713	\$ 2,167,713
Income taxes	2,496,296	1,854,046
Accounts receivable	182,020	76,068
Special assessments	165,748	165,749
Interest	10,481	10,481
Intergovernmental	432,288	389,702
	<u>\$ 5,454,546</u>	<u>\$ 4,663,759</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, 2015 were:

Governmental Funds Payables	
Accounts payable	\$ 7,976
Contracts payable	19,928
Accrued wages	77,054
Intergovernmental	242,988
	<u>\$ 347,946</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, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i><u>Governmental Activities</u></i>				
Non-depreciable capital assets:				
Land	\$ 4,672,504	\$ -	\$ -	\$ 4,672,504
Depreciable capital assets:				
Buildings	14,862,914	65,467	(12,172)	14,916,209
Land Improvements	2,797,983	39,533	(796,232)	2,041,284
Equipment	2,408,311	74,393	(414,563)	2,068,141
Vehicles	2,566,430	64,000	(161,573)	2,468,857
Infrastructure	33,761,872	482,753	-	34,244,625
Depreciable capital assets	<u>56,397,510</u>	<u>726,146</u>	<u>(1,384,540)</u>	<u>55,739,116</u>
Less accumulated depreciation:				
Buildings	(5,460,021)	(481,152)	8,812	(5,932,361)
Land Improvements	(1,576,196)	(86,873)	792,839	(870,230)
Equipment	(2,127,788)	(94,136)	414,563	(1,807,361)
Vehicles	(2,365,411)	(79,181)	131,698	(2,312,894)
Infrastructure	(14,007,345)	(722,915)	-	(14,730,260)
Accumulated depreciation	<u>(25,536,761)</u>	<u>(1,464,257)</u>	<u>1,347,912</u>	<u>(25,653,106)</u>
Depreciable capital assets, net	<u>30,860,749</u>	<u>(738,111)</u>	<u>(36,628)</u>	<u>30,086,010</u>
Governmental activities capital assets, net	<u>\$ 35,533,253</u>	<u>\$ (738,111)</u>	<u>\$ (36,628)</u>	<u>\$ 34,758,514</u>

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 604,491
General government	542,077
Security of persons and property	72,579
Community environment	40,172
Transportation	2,632
Leisure time activities	8,287
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>\$ 1,464,257</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Business-type Activities</i>				
Non-depreciable capital assets:				
Land	\$ 283,820	\$ -	\$ -	\$ 283,820
Depreciable capital assets:				
Buildings	815,840	-	(6,071)	809,769
Land Improvements	188,534	-	(61,000)	127,534
Equipment	2,640,305	103,919	(66,771)	2,677,453
Vehicles	377,887	-	(3,995)	373,892
Infrastructure	4,686,447	-	(16,235)	4,670,212
Depreciable capital assets	<u>8,709,013</u>	<u>103,919</u>	<u>(154,072)</u>	<u>8,658,860</u>
Less accumulated depreciation:				
Buildings	(531,918)	(19,341)	2,228	(549,031)
Land Improvements	(138,374)	(5,327)	61,000	(82,701)
Equipment	(2,557,461)	(28,195)	66,771	(2,518,885)
Vehicles	(376,876)	(1,011)	3,995	(373,892)
Infrastructure	<u>(3,162,227)</u>	<u>(52,932)</u>	<u>16,234</u>	<u>(3,198,925)</u>
Accumulated depreciation	(6,766,856)	(106,806)	150,228	(6,723,434)
Depreciable capital assets, net	<u>1,942,157</u>	<u>(2,887)</u>	<u>(3,844)</u>	<u>1,935,426</u>
Business-type Activities capital assets, net	<u>\$ 2,225,977</u>	<u>\$ (2,887)</u>	<u>\$ (3,844)</u>	<u>\$ 2,219,246</u>

NOTE 5 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee	10.00%
2015 Actual Contribution Rates	
Employer:	
Pension	12.00%
Post-employment Health Care Benefits	<u>2.00%</u>
Total Employer	<u>14.00%</u>
Employee	<u>10.00%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$466,929 for 2015. Of this amount, \$41,108 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

	<u>Safety Officers</u>
2015 Statutory Maximum Contribution Rates	
Employer	19.50%
Employee:	
January 1, 2015 through July 1, 2015	11.50%
July 2, 2015 through December 31, 2015	12.25%
2015 Actual Contribution Rates	
Employer:	
Pension	19.00%
Post-employment Health Care Benefits	<u>0.50%</u>
Total Employer	<u>19.50%</u>
Employee:	
January 1, 2015 through July 1, 2015	11.50%
July 2, 2015 through December 31, 2015	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$531,886 for 2015. Of this amount \$41,289 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the specific liability of the City was \$472,526 payable in semi-annual payments through the year 2035.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the Net Pension Liability	\$ 3,595,419	\$ 6,537,381	\$ 10,132,800
Proportion of the Net Pension Liability	0.029810%	0.126194%	
Pension Expense	\$ 392,550	\$ 637,691	\$ 1,030,241

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of resources:			
Net difference between projected and actual earnings on pension plan investments	\$ 191,841	\$ 281,755	\$ 473,596
City contributions subsequent to the measurement date	<u>466,929</u>	<u>531,886</u>	<u>998,815</u>
Total Deferred Outflows of Resources	<u><u>658,770</u></u>	<u><u>813,641</u></u>	<u><u>1,472,411</u></u>
Deferred Inflows of resources:			
Differences between expected and actual experience	<u><u>\$ 63,164</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 63,164</u></u>

\$998,815 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31:</u>	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 32,169	\$ 70,438	\$ 102,607
2017	32,169	70,439	102,608
2018	32,169	70,439	102,608
2019	<u>32,170</u>	<u>70,439</u>	<u>102,609</u>
Total	<u><u>\$ 128,677</u></u>	<u><u>\$ 281,755</u></u>	<u><u>\$ 410,432</u></u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75%
Future Salary Increases, including inflation	4.25% - 10.05% including wage inflation
COLA or Ad Hoc COLA	3.00% simple
Investment Rate of Return	8.00%
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other investments	<u>18.00%</u>	4.59%
Total	<u>100.00%</u>	<u>5.28%</u>

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Decrease (9.00%)</u>
City's proportionate share of the net pension liability	\$ 6,614,541	\$ 3,595,419	\$ 1,052,591

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actual Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% - 11.00%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.60% and 3.00%

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

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	-0.25%
Domestic Equity	16.00%	4.47%
Non-US Equity	16.00%	4.47%
Core Fixed Income*	20.00%	1.62%
Global Inflation Protected*	20.00%	1.33%
High Yield	15.00%	3.39%
Real Estate	12.00%	3.93%
Private Markets	8.00%	6.98%
Timber	5.00%	4.92%
Master Limited Partnerships	<u>8.00%</u>	7.03%
Total	<u>120.00%</u>	

* levered 2x

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Decrease (9.25%)
City's proportionate share of the net pension liability \$	9,042,186	\$ 6,537,381	\$ 4,416,572

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Ohio Public Employees Retirement System

A. Plan Description

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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

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

B. Funding Policy

The Ohio revised code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

C. Contributions

The City's contributions to OPERS for the healthcare plan for the years ending December 31, 2015, 2014 and 2013 were \$77,906, \$77,617 and \$39,614.

Ohio Police and Fire Pension Fund

A. Plan Description

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

B. Funding Policy

Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2015 thru December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

C. Contributions

The City's contributions to OP&F for the healthcare plan for the years ending December 31, 2015, 2014 and 2013 were \$14,271, \$14,056 and \$82,400.

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 \$435,505 at December 31, 2015.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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 \$741,158 at December 31, 2015.

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	\$	50,815
Capital improvement fund		22,044
Other governmental funds		40,474
Internal Service Funds		1,561
Enterprise Funds		<u>313,326</u>
Total	\$	<u>428,220</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Governmental Activities:</u>					
Police and Fire Pension	\$ 487,893	\$ -	\$ 15,367	\$ 472,526	\$ 16,027
Compensated Absences Payable	<u>1,194,018</u>	<u>597,159</u>	<u>785,028</u>	<u>1,006,149</u>	<u>674,120</u>
Total	<u>\$ 1,681,911</u>	<u>\$ 597,159</u>	<u>\$ 800,395</u>	<u>\$ 1,478,675</u>	<u>\$ 690,147</u>
<u>Business-Type Activities:</u>					
OPWC Loan Payable	\$ 38,788	\$ -	\$ 25,859	\$ 12,929	\$ 12,929
Compensated Absences Payable	<u>163,443</u>	<u>101,191</u>	<u>94,120</u>	<u>170,514</u>	<u>114,245</u>
Total	<u>\$ 202,231</u>	<u>\$ 101,191</u>	<u>\$ 119,979</u>	<u>\$ 183,443</u>	<u>\$ 127,174</u>
<u>Net Pension Liability:</u>					
<u>Governmental Activities:</u>					
OPERS	\$ 2,871,929	\$ 477,584	\$ 411,217	\$ 2,938,296	
OP&F	<u>6,146,049</u>	<u>919,446</u>	<u>528,114</u>	<u>6,537,381</u>	
Total	<u>\$ 9,017,978</u>	<u>\$ 1,397,030</u>	<u>\$ 939,331</u>	<u>\$ 9,475,677</u>	
<u>Business-Type Activities:</u>					
OPERS	<u>\$ 642,283</u>	<u>\$ 106,808</u>	<u>\$ 91,965</u>	<u>\$ 657,126</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, 2015

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, 2015 were:

Year Ending December 31,	Police and Fire Pension		OPWC Loan Payable	
	Principal	Interest	Principal	Interest
2016	16,027	19,914	12,929	-
2017	16,716	19,225	-	-
2018	17,434	18,507	-	-
2019	18,182	17,759	-	-
2020	18,964	16,978	-	-
2021-2025	107,758	71,948	-	-
2026-2030	132,975	46,731	-	-
2031-2035	144,469	15,647	-	-
Total	<u>\$ 472,525</u>	<u>\$ 226,709</u>	<u>\$ 12,929</u>	<u>\$ -</u>

Legal Debt Margin

The City Charter provides that the total net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 7.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of the municipal corporation cannot exceed 2.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. As of December 31, 2015, the City had legal debt margin for total debt of \$22,284,218 and a legal debt margin for unvoted debt of \$7,428,073.

NOTE 9 – TRANSFERS

The following is a summary of transfers in and out for all funds in 2015:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ -	\$ 1,181,431
Capital improvement	\$ 366,243	\$ -
Other governmental	<u>815,188</u>	<u>-</u>
Total transfers	<u>\$ 1,181,431</u>	<u>\$ 1,181,431</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, 2015

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 2015, 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 \$9,362, \$9,485 and \$12,597 for the years ended December 31, 2015, 2014 and 2013, respectively.

NOTE 11 – CONTINGENT LIABILITIES

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 12 – PRIOR YEAR RESTATEMENT

For 2015, the City implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of these pronouncements had the following effect on net position as reported December 31, 2014:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Net Position December 31, 2014	\$ 44,873,129	\$ 5,761,786
Adjustments:		
Net Pension Liability	(9,017,978)	(642,282)
Deferred Outflows - Payments Subsequent to Measurement Date	887,711	80,420
Net Pension Liability - Related to Internal Balances	29,508	(29,508)
Deferred Outflows - Payments Subsequent to Measurement Date - Related to Internal Balances	<u>(3,695)</u>	<u>3,695</u>
Restated Net Position December 31, 2014	<u>\$ 36,768,675</u>	<u>\$ 5,174,111</u>

	<u>Enterprise Funds</u>				Internal <u>Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total</u>	
Net Position December 31, 2014	\$ 2,776,142	\$ 2,142,198	\$ 96,610	\$ 5,014,950	\$ 3,701,678
Adjustments:					
Net Pension Liability	(328,568)	(202,738)	(110,976)	(642,282)	(137,808)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>41,140</u>	<u>25,385</u>	<u>13,895</u>	<u>80,420</u>	<u>17,255</u>
Restated Net Position December 31, 2014	<u>\$ 2,488,714</u>	<u>\$ 1,964,845</u>	<u>\$ (471)</u>	<u>\$ 4,453,088</u>	<u>\$ 3,581,125</u>

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





Required Supplementary Information

CITY OF OAKWOOD, OHIO

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

		<u>2014</u>		<u>2013</u>
<i>Ohio Public Employees Retirement System</i>				
City's proportion of the net pension liability		0.029810%		0.029810%
City's proportionate share of the net pension liability	\$	3,595,419	\$	3,514,211
City's covered-employee payroll	\$	3,891,075	\$	3,666,814
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		92.40%		95.84%
Plan fiduciary net position as a percentage of the total pension liability		86.45%		86.36%
<i>Ohio Police & Fire Pension Fund</i>				
City's proportion of the net pension liability		0.126194%		0.126194%
City's proportionate share of the net pension liability	\$	6,537,381	\$	6,146,049
City's covered-employee payroll	\$	2,799,400	\$	2,779,547
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		233.53%		221.12%
Plan fiduciary net position as a percentage of the total pension liability		72.20%		73.00%

(1) Information prior to 2013 is unavailable

CITY OF OAKWOOD, OHIO

Schedule of The City's Contributions

Last Two Fiscal Years (1)

	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees Retirement System</i>		
Contractually required contributions	\$ 466,929	\$ 440,018
Contributions in relation to the contractually required contributions	<u>466,929</u>	<u>440,018</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,891,075	\$ 3,666,814
Contributions as a percentage of covered-employee payroll	12.00%	12.00%
 <i>Ohio Police & Fire Pension Fund</i>		
Contractually required contributions	\$ 531,886	\$ 528,114
Contributions in relation to the contractually required contributions	<u>531,886</u>	<u>528,114</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,799,400	\$ 2,779,547
Contributions as a percentage of covered-employee payroll	19.00%	19.00%

(1) Information prior to 2014 is unavailable

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, 2015

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Income taxes	\$ 6,500,000	\$ 6,500,000	\$ 6,670,164	\$ 170,164
Property taxes	2,543,900	2,543,900	2,573,096	29,196
Intergovernmental	319,113	319,113	334,024	14,911
Charges for services	113,425	113,425	106,515	(6,910)
Fines, licenses and permits	161,550	161,550	186,687	25,137
Investment earnings	40,000	40,000	46,867	6,867
Donations	1,700	1,700	7,995	6,295
Miscellaneous	27,700	27,700	31,963	4,263
Total revenues	<u>9,707,388</u>	<u>9,707,388</u>	<u>9,957,311</u>	<u>249,923</u>
Expenditures				
Current:				
Security of persons and property	5,233,922	5,233,922	4,988,878	245,044
Community environment	583,741	583,741	543,269	40,472
General government	2,092,747	2,092,747	1,723,368	369,379
Total expenditures	<u>7,910,410</u>	<u>7,910,410</u>	<u>7,255,515</u>	<u>654,895</u>
Excess of revenues over (under) expenditures	<u>1,796,978</u>	<u>1,796,978</u>	<u>2,701,796</u>	<u>904,818</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	46,852	46,852
Transfers out	(1,716,794)	(1,716,794)	(1,469,497)	247,297
Total other financing sources (uses)	<u>(1,716,794)</u>	<u>(1,716,794)</u>	<u>(1,422,645)</u>	<u>294,149</u>
Net change in fund balance	80,184	80,184	1,279,151	1,198,967
Add encumbrances at beginning of year			34,476	34,476
Less encumbrances at end of year			(37,682)	(37,682)
Fund balance, beginning of year	<u>5,014,475</u>	<u>5,014,475</u>	<u>5,014,475</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,094,659</u>	<u>\$ 5,094,659</u>	<u>\$ 6,290,420</u>	<u>\$ 1,195,761</u>

See notes to required supplementary information.

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2015

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, 2015

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	\$ 1,377,656
Adjustments:	
Other fund balances included in governmental GAAP basis	8,980
Revenue accruals	39,743
Expenditure accruals	(192,339)
Encumbrances	(37,682)
Transfers	82,793
Budgetary Basis	<u>\$ 1,279,151</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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 18, 2016, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 opinion 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, appearing to read "Dave Yost". The signature is fluid and cursive, with a large loop at the end of the last name.

Dave Yost
Auditor of State
Columbus, Ohio

July 18, 2016