



City of Oakwood

Basic Financial Statements
For the Year Ended
December 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
City of Oakwood
30 Park Avenue
Oakwood, Ohio 45419

We have reviewed the *Independent Auditor's Report* of the City of Oakwood, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2020

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City of Oakwood, Ohio

Basic Financial Statements
For the Year Ended December 31, 2019

with

Independent Auditor's Report

Prepared by:

Department of Finance

Cindy S. Stafford, CPA

Director of Finance

CITY OF OAKWOOD, OHIO

CITY OFFICIALS

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

CITY MANAGER

Norbert S. Klopsch

INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.
Certified Public Accountants

DEPARTMENT OF FINANCE

Staff

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

CITY OF OAKWOOD, OHIO

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Dayton, Ohio

April 30, 2020

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2019

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, 2019.

Financial Highlights

- Net position increased by \$4,870,451 or 14.47% and unrestricted net position increased \$5,152,684 or 79.29%.
- Total revenues increased \$1,110,534 or 6.50% and total expenses decreased \$4,310,378 or 24.44%.
- The unrestricted net position of the City's governmental activities has a balance of negative \$3,793,709 due primarily to noncurrent liabilities related to net pension and other postemployment benefit (OPEB) liabilities.
- Income taxes increased \$876,966 or 12.18%.
- Total fund balances of governmental activities increased by \$1,095,095 or 8.82%.
- Governmental fund revenues increased \$1,392,329 or 10.32% and governmental fund expenditures increased \$195,704 or 1.44%.
- The net position of the City's business-type activities increased by \$360,605 or 7.97%.
- Total revenue of business-type activities increased \$130,663 or 3.91% and total expenses increased \$256,951 or 9.00%.
- The General Fund balance increased \$1,038,696 or 12.66%.
- The General Fund revenues increased \$1,267,222 or 10.21% and expenditures decreased \$787,154 or 7.29%.

Using this Annual Financial Report

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" 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

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2019

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, sanitary 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, Health District, Water, Sanitary Sewer and Stormwater funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

Governmental Funds

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

CITY OF OAKWOOD, OHIO
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For the Year Ended December 31, 2019

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.

Custodial Fiduciary Funds

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

The City as a Whole

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 18,565,729	\$ 17,477,527	\$ 4,468,745	\$ 3,974,118	\$ 23,034,474	\$ 21,451,645
Capital assets, net	35,436,177	35,694,849	2,435,980	2,342,298	37,872,157	38,037,147
Total assets	<u>54,001,906</u>	<u>53,172,376</u>	<u>6,904,725</u>	<u>6,316,416</u>	<u>60,906,631</u>	<u>59,488,792</u>
Deferred outflows of resources:						
Pensions	4,623,518	2,038,926	383,953	184,836	5,007,471	2,223,762
Other postemployment benefits	1,021,436	1,044,133	47,809	38,441	1,069,245	1,082,574
Total deferred outflows of resources	<u>5,644,954</u>	<u>3,083,059</u>	<u>431,762</u>	<u>223,277</u>	<u>6,076,716</u>	<u>3,306,336</u>
Current and other liabilities	915,723	814,094	334,472	327,759	1,250,195	1,141,853
Long-term liabilities:						
Due within one year	609,818	584,559	77,358	76,567	687,176	661,126
Due in more than one year	21,512,509	21,728,170	2,007,537	1,389,608	23,520,046	23,117,778
Total liabilities	<u>23,038,050</u>	<u>23,126,823</u>	<u>2,419,367</u>	<u>1,793,934</u>	<u>25,457,417</u>	<u>24,920,757</u>
Deferred inflows of resources:						
Property taxes	2,247,871	2,261,937	-	-	2,247,871	2,261,937
Pensions	348,139	1,463,772	25,434	183,015	373,573	1,646,787
Other postemployment benefits	377,438	277,387	7,835	39,498	385,273	316,885
Total deferred inflows of resources	<u>2,973,448</u>	<u>4,003,096</u>	<u>33,269</u>	<u>222,513</u>	<u>3,006,717</u>	<u>4,225,609</u>
Net position:						
Invested in capital assets, net	35,436,177	35,694,849	2,435,980	2,342,298	37,872,157	38,037,147
Restricted	1,992,894	2,110,137	-	-	1,992,894	2,110,137
Unrestricted	(3,793,709)	(8,679,470)	2,447,871	2,180,948	(1,345,838)	(6,498,522)
Total net position	<u>\$ 33,635,362</u>	<u>\$ 29,125,516</u>	<u>\$ 4,883,851</u>	<u>\$ 4,523,246</u>	<u>\$ 38,519,213</u>	<u>\$ 33,648,762</u>

The largest impacts on the City's financial statements in 2019 and 2018 had absolutely no impact on the City's financial condition; GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment

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Benefits Other Than Pension" (OPEB). GASB Statement No. 75 and GASB Statement No. 68 required the City to recognize a liability of \$4.8 million for OPEB and \$17.8 million for pension. For reasons discussed below, these liabilities serve only to distort the true financial position of the City. Users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB and the net pension and OPEB liabilities to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB. The resulting net position would be \$55,854,355, which is \$17.3 million more than the net position presented.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law or actuarially determined, which may or may not be sufficient to fully fund each plan's *net pension liability or net OPEB liability*. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension / OPEB plans and state law governing those systems require additional explanation to properly understand the information presented in these statements. GASB Statements No. 68 and 75 require the net pension liability and the net OPEB liability to equal the City's share of each plan's:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange"—that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension and OPEB benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its

CITY OF OAKWOOD, OHIO
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contribution to the plans. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension and OPEB system *as against the public employer*. State law 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 retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability and net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

For 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total of \$38.5 million. This represents an increase of 14.47% from the prior year. The unrestricted net position is a negative balance of \$1,345,838.

Explanations for larger fluctuations between years are as follows:

- The impact of the OPEB liabilities and deferred OPEB inflows / outflows resulting in a decrease in OPEB expense of \$5.1 million. The decrease is primarily the result of a change in the model for provision of health care stipends for retirees in the Ohio Police and Fire Pension Fund (OP&F).
- The impact of the pension liabilities and deferred pension inflows / outflows resulting in an increase in pension expense of \$2.0 million.
- The impact of the reduced credit (100% credit in 2018 versus 90% credit in 2019) for income taxes paid to other municipalities resulting in an increase in incomes taxes of \$551,000 (7.60%).

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 2,583,386	\$ 2,410,940	\$ 3,407,488	\$ 3,307,811	\$ 5,990,874	\$ 5,718,751
Operating grants & contributions	558,029	557,608	-	-	558,029	557,608
Capital grants & contributions	16,720	-	-	-	16,720	-
General revenues:						
Income taxes	7,964,892	7,253,007	-	-	7,964,892	7,253,007
Property taxes	2,555,244	2,536,598	-	-	2,555,244	2,536,598
Unrestricted grants & contributions	546,986	667,429	-	-	546,986	667,429
Investment earnings	199,027	140,996	41,574	24,570	240,601	165,566
Miscellaneous	302,410	180,245	22,780	8,798	325,190	189,043
Total revenues	<u>14,726,694</u>	<u>13,746,823</u>	<u>3,471,842</u>	<u>3,341,179</u>	<u>18,198,536</u>	<u>17,088,002</u>
Program Expenses						
Security of persons and property	3,283,470	9,339,799	-	-	3,283,470	9,339,799
Public health services	105,042	91,812	-	-	105,042	91,812
Leisure time activities	1,006,947	763,839	-	-	1,006,947	763,839
Community environment	1,686,647	1,345,049	-	-	1,686,647	1,345,049
Transportation	1,166,772	817,220	-	-	1,166,772	817,220
General government	2,125,612	1,851,336	-	-	2,125,612	1,851,336
Public works	824,599	556,615	-	-	824,599	556,615
Interest and fiscal charges	17,759	18,507	-	-	17,759	18,507
Water	-	-	1,239,383	1,064,790	1,239,383	1,064,790
Sanitary Sewer	-	-	1,510,881	1,474,755	1,510,881	1,474,755
Stormwater	-	-	360,973	314,741	360,973	314,741
Total expenses	<u>10,216,848</u>	<u>14,784,177</u>	<u>3,111,237</u>	<u>2,854,286</u>	<u>13,328,085</u>	<u>17,638,463</u>
Changes in net position	4,509,846	(1,037,354)	360,605	486,893	4,870,451	(550,461)
Net position, beginning of year	<u>29,125,516</u>	<u>30,162,870</u>	<u>4,523,246</u>	<u>4,036,353</u>	<u>33,648,762</u>	<u>34,199,223</u>
Net position, end of year	<u>\$33,635,362</u>	<u>\$29,125,516</u>	<u>\$ 4,883,851</u>	<u>\$ 4,523,246</u>	<u>\$38,519,213</u>	<u>\$33,648,762</u>

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The following table shows the percentage of total expenses each functional area comprises, the net cost of each functional area and the percentage of each functional area expenses financed with general revenues.

ANALYSIS OF PROGRAM EXPENSES
GOVERNMENTAL ACTIVITIES

	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	\$ 3,283,470	32.14%	\$ (257,767)	\$ 3,025,703	92.15%
Public health services	105,042	1.03%	(39,135)	65,907	62.74%
Leisure time activities	1,006,947	9.86%	(527,834)	479,113	47.58%
Community environment	1,686,647	16.51%	(1,446,908)	239,739	14.21%
Transportation	1,166,772	11.42%	(524,234)	642,538	55.07%
General government	2,125,612	20.80%	(362,257)	1,763,355	82.96%
Public works	824,599	8.07%	-	824,599	100.00%
Interest and fiscal charges	17,759	0.17%	-	17,759	100.00%
	<u>\$ 10,216,848</u>	<u>100.00%</u>	<u>\$ (3,158,135)</u>	<u>\$ 7,058,713</u>	69.09%

As indicated by the table above, the City is spending almost half of its resources (48.65%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 32.14% of total program expenses, revenues generated by the public safety department cover only 7.85% of functional expenses. This means that general revenues collected by the City, principally income and property taxes, must cover the remaining 92.15% 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 20.80% 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 52.42% 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 78.56% of the total governmental revenues collected by the City during 2019. Principal components of general revenues; including income taxes (68.85%) and property taxes (22.09%), are used to furnish the quality of life and services to citizens and businesses to which they have become accustomed.

CITY OF OAKWOOD, OHIO
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Business-Type Activities

The City's business-type activities include the Water, Sanitary 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 2019 experienced an operating income of \$24,896, compared to income of \$99,173 in 2018. 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, 2019 the unrestricted net position represented 45.09% of the operating expenses reported for 2019.

Sanitary Sewer – The City's sanitary sewer department is responsible for the collection and disposal of sanitary wastewater generated throughout the City. The City does not treat sanitary wastewater within our City and must rely on the City of Dayton and Montgomery County for this service. The cost for this sanitary wastewater treatment service represents about 75% of our sanitary sewer costs. Various functions within the sanitary sewer department include administration, disposal, and maintaining and upgrading infrastructure used in the collection and disposal of sanitary wastewater. The sanitary sewer department recognized operating income of \$374,996 during 2019 as compared to operating income of \$363,250 reported for 2018.

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 an operating loss in 2019 of \$28,707 as compared to operating income of \$4,083 reported in 2018.

Overall, the City's business-type activities generated \$3.41 million in program revenue during 2019, while program expenses were \$3.11 million. The business-type activities incurred an overall increase in net position of \$360,605. It should be noted that the unrestricted net position of the business-type activities totaled \$2.45 million at the end of 2019. The amount of unrestricted net position for business-type activities reported at December 31, 2019 equaled 78.68% of the total expenses reported for business-type activities for 2019. Management will continue to monitor utility rate charges and necessary adjustments will be made to provide any additional financial resources needed.

The City's Funds

The governmental funds of the City are reported using the modified accrual basis of accounting. These funds had total revenues of \$14.88 million and expenditures of \$13.79 million for 2019. In total, the governmental funds

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Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2019

reported a \$1,095,095 increase in total fund balance for the year. In 2018, the fund balance of the City's governmental funds decreased by \$101,530. The increase in 2019 is primarily the result of the 10% reduction in credit given for local income taxes paid to other municipalities. 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, 2019 were \$13.19 million, or 95.69% of the total expenditures reported for the governmental funds for 2019.

The City's General Fund realized a \$1,038,696 increase in fund balance during 2019 as compared to the \$1,582,436 decrease in 2018. 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 \$2,627,624 to other funds in 2019 as compared to \$3,194,380 to other funds in 2018.

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

General Fund Budgeting Highlights

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

For the General Fund, budget basis revenue was \$10.98 million as compared to the actual revenues received of \$11.65 million. The City's variances in revenues received were from the following:

- Income tax revenue was \$467,687 more than budget because of the 10% credit reduction factor effective for 2019.
- Miscellaneous revenue is \$106,771 more than budget as a result of \$134,000 rebate received from workers' compensation.

The budgeted expenditures of the City did not change from the original budget to the final budget. Actual expenditures were \$431,154 less than budgeted expenditures. For the year ended December 31, 2019 the total actual budgetary change in fund balance for the General Fund was an increase of \$803,004 resulting in a reported

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For the Year Ended December 31, 2019

\$6,810,193 ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 83.74% of the total budgetary expenditures of the General Fund for 2019.

Capital Assets

At the end of 2019, the City had a total of \$76.29 million invested in capital assets less accumulated depreciation of \$38.42 million resulting in total capital assets, net of accumulated depreciation of \$37.87 million.

During 2019, significant asset additions were as follows:

- Asphalt and concrete street, sidewalk, curb and apron replacement totaling \$973,840;
- Safety Vehicles \$73,881; and
- Water softening plant media, process controls and water pump replacements totaling \$192,333.

The following table shows 2019 capital asset balances compared to those of 2018:

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Construction in progress	\$ 81,651	\$ -	\$ -	\$ -	\$ 81,651	\$ -
Land	4,824,164	4,824,164	283,820	283,820	5,107,984	5,107,984
Buildings	7,389,244	7,844,673	335,190	225,271	7,724,434	8,069,944
Land Improvements	1,767,792	1,879,351	59,761	65,837	1,827,553	1,945,188
Equipment	724,408	713,774	339,209	320,227	1,063,617	1,034,001
Vehicles	403,126	344,593	78,689	57,420	481,815	402,013
Infrastructure	<u>20,245,792</u>	<u>20,088,294</u>	<u>1,339,311</u>	<u>1,389,723</u>	<u>21,585,103</u>	<u>21,478,017</u>
Total	<u>\$35,436,177</u>	<u>\$35,694,849</u>	<u>\$ 2,435,980</u>	<u>\$ 2,342,298</u>	<u>\$37,872,157</u>	<u>\$38,037,147</u>

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

Contacting the City's Finance Department

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



CITY OF OAKWOOD, OHIO

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments	\$ 13,151,535	\$ 3,448,102	\$ 16,599,637
Cash in segregated accounts	11,716	-	11,716
Receivables:			
Property taxes	2,270,031	-	2,270,031
Income taxes	2,430,666	-	2,430,666
Accounts	209,960	330,892	540,852
Special assessments	176,224	85,502	261,726
Interest	13,428	3,195	16,623
Intergovernmental	557,131	-	557,131
Prepaid expenses	159,467	19,809	179,276
Internal balances	(546,714)	546,714	-
Inventory	132,285	34,531	166,816
Nondepreciable capital assets	4,905,815	283,820	5,189,635
Depreciable capital assets (net of accumulated depreciation)	30,530,362	2,152,160	32,682,522
Total assets	\$ 54,001,906	\$ 6,904,725	\$ 60,906,631
Deferred Outflows of Resources			
Pensions	4,623,518	383,953	5,007,471
Other postemployment benefits	1,021,436	47,809	1,069,245
Total deferred outflows of resources	5,644,954	431,762	6,076,716
Liabilities			
Accounts payable	112,038	49,849	161,887
Contracts payable	44,605	1,357	45,962
Accrued wages payable	161,905	17,876	179,781
Intergovernmental payable	163,999	265,390	429,389
Unearned revenue - income tax credits	433,176	-	433,176
Long-term liabilities:			
Due within one year	609,818	77,358	687,176
Due within more than one year			
Net pension liability	16,547,763	1,300,305	17,848,068
Net other postemployment benefits	4,195,317	609,627	4,804,944
Other amounts	769,429	97,605	867,034
Total liabilities	23,038,050	2,419,367	25,457,417
Deferred Inflows of Resources			
Property taxes	2,247,871	-	2,247,871
Pensions	348,139	25,434	373,573
Other postemployment benefits	377,438	7,835	385,273
Total deferred inflows of resources	2,973,448	33,269	3,006,717
Net Position			
Net investment in capital assets	35,436,177	2,435,980	37,872,157
Restricted for:			
Capital purposes	292,890	-	292,890
Other purposes	1,648,184	-	1,648,184
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	1,820	-	1,820
Unrestricted	(3,793,709)	2,447,871	(1,345,838)
Total net position	\$ 33,635,362	\$ 4,883,851	\$ 38,519,213

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Activities

For the Year Ended December 31, 2019

<i>Functions / Programs</i>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Security of persons and property	\$ 3,283,470	\$ 244,622	\$ 13,145	\$ -	\$ (3,025,703)	\$ -	\$ (3,025,703)
Public health services	105,042	37,409	1,726	-	(65,907)	-	(65,907)
Leisure time activities	1,006,947	513,234	14,600	-	(479,113)	-	(479,113)
Community environment	1,686,647	1,430,188	-	16,720	(239,739)	-	(239,739)
Transportation	1,166,772	-	524,234	-	(642,538)	-	(642,538)
General government	2,125,612	357,933	4,324	-	(1,763,355)	-	(1,763,355)
Public works	824,599	-	-	-	(824,599)	-	(824,599)
Interest on long-term debt	17,759	-	-	-	(17,759)	-	(17,759)
Total governmental activities	\$ 10,216,848	\$ 2,583,386	\$ 558,029	\$ 16,720	(7,058,713)	-	(7,058,713)
Business-type activities:							
Water	1,239,383	1,194,678	-	-	-	(44,705)	(44,705)
Sewer	1,510,881	1,882,307	-	-	-	371,426	371,426
Stormwater	360,973	330,503	-	-	-	(30,470)	(30,470)
Total business-type activities	3,111,237	3,407,488	-	-	-	296,251	296,251
Total	\$ 13,328,085	\$ 5,990,874	\$ 558,029	\$ 16,720	(7,058,713)	296,251	(6,762,462)
General revenues:							
Taxes:							
Income taxes					7,964,892	-	7,964,892
Property taxes levied for:							
General purposes					2,468,160	-	2,468,160
Police and fire pension					87,084	-	87,084
Grants and contributions not restricted							
to specific programs					546,986	-	546,986
Investment earnings					199,027	41,574	240,601
Miscellaneous					302,410	22,780	325,190
Total general revenues					11,568,559	64,354	11,632,913
Change in net position					4,509,846	360,605	4,870,451
Net position, beginning of year					29,125,516	4,523,246	33,648,762
Net position, end of year					\$ 33,635,362	\$ 4,883,851	\$ 38,519,213

CITY OF OAKWOOD, OHIO

Balance Sheet Governmental Funds December 31, 2019

	General Fund	Health District Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 8,754,319	\$ 92,355	\$ 4,165,985	\$ 13,012,659
Cash in segregated accounts	10,468	-	1,248	11,716
Receivables:				
Property taxes	2,270,031	-	-	2,270,031
Income taxes	2,430,666	-	-	2,430,666
Accounts	170,342	52	37,401	207,795
Special assessments	34,914	-	141,311	176,225
Interest	12,747	-	682	13,429
Intergovernmental	247,759	-	309,372	557,131
Prepaid expenses	137,594	1,872	17,110	156,576
Inventory	26,959	-	75,994	102,953
Total assets	14,095,799	94,279	4,749,103	18,939,181
Liabilities				
Accounts payable	20,647	-	83,010	103,657
Contracts payable	21,034	25	22,929	43,988
Accrued wages payable	143,510	1,930	12,608	158,048
Intergovernmental payable	145,720	3,622	11,972	161,314
Unearned revenue - income tax credits	433,176	-	-	433,176
Total liabilities	764,087	5,577	130,519	900,183
Deferred Inflows of Resources				
Unavailable revenue - income taxes	1,507,511	-	-	1,507,511
Unavailable revenue - property taxes	2,270,031	-	-	2,270,031
Unavailable revenue - other	312,112	-	433,287	745,399
Total deferred inflows of resources	4,089,654	-	433,287	4,522,941
Fund Balances				
Nonspendable:				
Prepaid expenses and inventory	164,553	1,872	93,104	259,529
Unclaimed monies	14,425	-	-	14,425
Permanent Funds - Bullock Endowment	-	-	50,000	50,000
Restricted:				
Security of persons and property	-	-	561,619	561,619
Public health services	-	86,830	-	86,830
Leisure time activities	-	-	403,937	403,937
Community environment	-	-	1,820	1,820
Transportation	-	-	670,853	670,853
Municipal court activities	-	-	178,108	178,108
Committed:				
Capital projects fund	701,532	-	2,225,856	2,927,388
Assigned:				
General government for future appropriations	484,779	-	-	484,779
Unassigned:				
General fund	7,876,769	-	-	7,876,769
Total fund balances	9,242,058	88,702	4,185,297	13,516,057
Total liabilities, deferred inflows of resources and fund balances	\$ 14,095,799	\$ 94,279	\$ 4,749,103	\$ 18,939,181

CITY OF OAKWOOD, OHIO

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2019

Fund balance - total governmental funds		\$ 13,516,057
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		32,712,772
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:		
Property and other taxes	22,160	
Income taxes	1,507,511	
Intergovernmental	492,195	
Special assessments	176,225	
Charges for services	76,724	
Interest	254	
		2,275,069
Internal service funds are used to charge the costs of certain activities such as providing insurance as well as the service center to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		2,533,504
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.		(546,714)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Compensated absences payable	(1,363,446)	(1,363,446)
The net pension and other postemployment benefit liabilities other than pension (OPEB) are not due and payable in the current period; therefore, the liabilities and related deferred inflows / outflows are not reported in governmental funds:		
Deferred outflows - pension	4,539,224	
Deferred outflows - OPEB	1,010,940	
Deferred inflows - pension	(342,555)	
Deferred inflows - OPEB	(375,718)	
Net pension liability	(16,262,292)	
Net OPEB liability	(4,061,479)	(15,491,880)
Net position of governmental activities		\$ 33,635,362

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, 2019

	General Fund	Health District Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Income taxes	\$ 8,074,898	\$ -	\$ -	\$ 8,074,898
Property taxes	2,351,871	116,289	87,084	2,555,244
Intergovernmental	522,251	1,726	574,615	1,098,592
Charges for services	2,037,108	-	115,840	2,152,948
Fines, licenses and permits	197,414	37,409	24,080	258,903
Special assessments	22,200	-	173,934	196,134
Investment earnings	195,235	-	15,652	210,887
Donations	16,456	-	14,450	30,906
Miscellaneous	263,109	2,276	37,025	302,410
Total revenues	13,680,542	157,700	1,042,680	14,880,922
Expenditures				
Security of persons and property	5,197,095	-	615,854	5,812,949
Public health services	-	127,108	-	127,108
Leisure time activities	1,015,577	-	90,000	1,105,577
Community environment	1,825,409	-	500	1,825,909
Transportation	-	-	1,117,360	1,117,360
General government	1,976,141	-	5,395	1,981,536
Capital outlay	-	-	1,375,280	1,375,280
Debt service:				
Principal retirement	-	-	422,349	422,349
Interest and fiscal charges	-	-	17,759	17,759
Total expenditures	10,014,222	127,108	3,644,497	13,785,827
Excess of revenues over (under) expenditures	3,666,320	30,592	(2,601,817)	1,095,095
Other financing sources (uses)				
Transfers in	-	-	2,627,624	2,627,624
Transfers out	(2,627,624)	-	-	(2,627,624)
Total other financing sources (uses)	(2,627,624)	-	2,627,624	-
Net change in fund balance	1,038,696	30,592	25,807	1,095,095
Fund balance, beginning of year	8,203,362	58,110	4,159,490	12,420,962
Fund balance, end of year	\$ 9,242,058	\$ 88,702	\$ 4,185,297	\$ 13,516,057

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, 2019

Net change in fund balances - total governmental funds	\$	1,095,095
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	1,359,438	
Current year depreciation	<u>(1,468,714)</u>	(109,276)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		(154,228)
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.		422,349
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,067,179
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		16,188
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(2,834,493)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		5,197,902
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.		(140,166)
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>(50,704)</u>
Change in net position of governmental activities	\$	<u><u>4,509,846</u></u>

CITY OF OAKWOOD, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2019

	Enterprise Funds				Internal Service Fund
	Water	Sanitary Sewer	Stormwater	Total	
Assets					
Current assets:					
Pooled cash and investments	\$ 1,257,279	\$ 1,869,125	\$ 321,698	\$ 3,448,102	\$ 138,875
Receivables:					
Accounts	90,505	201,702	38,685	330,892	2,166
Special assessments	33,325	44,901	7,276	85,502	-
Interest	1,253	1,646	296	3,195	-
Prepaid expenses	9,083	6,600	4,126	19,809	2,890
Inventory	33,964	567	-	34,531	29,332
Total current assets	1,425,409	2,124,541	372,081	3,922,031	173,263
Noncurrent assets:					
Nondepreciable capital assets	283,820	-	-	283,820	25,840
Depreciable capital assets (net of accumulated depreciation)	1,138,826	977,100	36,234	2,152,160	2,697,565
Total noncurrent assets	1,422,646	977,100	36,234	2,435,980	2,723,405
Total assets	2,848,055	3,101,641	408,315	6,358,011	2,896,668
Deferred Outflows of Resources					
Pensions	187,108	113,052	83,793	383,953	84,294
Other postemployment benefits	23,298	14,077	10,434	47,809	10,496
Total deferred outflows of resources	210,406	127,129	94,227	431,762	94,790
Liabilities					
Current Liabilities:					
Accounts payable	39,779	-	10,070	49,849	8,381
Contracts payable	646	477	234	1,357	617
Accrued wages payable	8,656	5,217	4,003	17,876	3,857
Intergovernmental payable	7,801	254,639	2,950	265,390	2,685
Compensated absences payable	43,556	23,165	10,637	77,358	6,986
Total current liabilities	100,438	283,498	27,894	411,830	22,526
Noncurrent liabilities:					
Net pension liability	633,664	382,865	283,776	1,300,305	285,471
Net other postemployment benefits	297,083	179,500	133,044	609,627	133,838
Compensated absences payable	54,955	29,229	13,421	97,605	8,815
Total noncurrent liabilities	985,702	591,594	430,241	2,007,537	428,124
Total liabilities	1,086,140	875,092	458,135	2,419,367	450,650
Deferred Inflows of Resources					
Pensions	12,394	7,489	5,551	25,434	5,584
Other postemployment benefits	3,818	2,307	1,710	7,835	1,720
Total deferred inflows of resources	16,212	9,796	7,261	33,269	7,304
Net Position					
Net investment in capital assets	1,422,646	977,100	36,234	2,435,980	2,723,405
Unrestricted	533,463	1,366,782	912	1,901,157	(189,901)
Total net position	\$ 1,956,109	\$ 2,343,882	\$ 37,146	\$ 4,337,137	\$ 2,533,504
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	\$ 546,714
				Total net position from above	4,337,137
					\$ 4,883,851

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenses and

Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2019

	Enterprise Funds				Internal Service Fund
	Water	Sanitary Sewer	Stormwater	Total	
Operating Revenues					
Charges for services	\$ 1,174,800	\$ 1,851,175	\$ 323,325	\$ 3,349,300	\$ 628,822
Fines, licenses and permits	-	360	-	360	-
Special assessments	19,878	28,473	5,372	53,723	-
Miscellaneous	13,365	5,868	3,569	22,802	5,846
Total operating revenues	1,208,043	1,885,876	332,266	3,426,185	634,668
Operating Expenses					
Personnel services	604,084	362,798	298,903	1,265,785	280,638
Contractual services	344,761	1,095,037	56,000	1,495,798	68,972
Supplies and materials	149,068	10,219	5,320	164,607	279,931
Claims	-	-	-	-	6,109
Miscellaneous	241	-	-	241	-
Depreciation	84,993	42,826	750	128,569	195,420
Total operating expenses	1,183,147	1,510,880	360,973	3,055,000	831,070
Operating income (loss)	24,896	374,996	(28,707)	371,185	(196,402)
Non-operating revenues					
Investment earnings	18,035	23,539	4,082	45,656	-
Change in net position	42,931	398,535	(24,625)	416,841	(196,402)
Net position, beginning of year	1,913,178	1,945,347	61,771		2,729,906
Net position, end of year	\$ 1,956,109	\$ 2,343,882	\$ 37,146		\$ 2,533,504
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	(56,236)
				Change in net position of business-type activities	\$ 360,605

CITY OF OAKWOOD, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2019

	Enterprise Funds				Internal Service Fund
	Water	Sanitary Sewer	Stormwater	Total	
<i>Cash flows from operating activities</i>					
Cash received from customers	\$ 1,200,563	\$ 1,859,556	\$ 331,328	\$ 3,391,447	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	627,292
Cash received from other sources	13,097	5,701	-	18,798	3,842
Cash payments for employee services and benefits	(486,786)	(307,620)	(233,911)	(1,028,317)	(227,991)
Cash payments for insurance claims	-	-	-	-	(6,109)
Cash payments to suppliers for goods and services	(506,090)	(1,112,259)	(51,619)	(1,669,968)	(339,475)
Cash payments for other operating expenses	(241)	-	-	(241)	(260)
Net cash provided (used) by operating activities	220,543	445,378	45,798	711,719	57,299
<i>Cash flows from capital and related financing activities</i>					
Acquisition of capital assets	(222,251)	-	-	(222,251)	(46,024)
Net cash used for capital and related financing activities	(222,251)	-	-	(222,251)	(46,024)
<i>Cash flows from investing activities</i>					
Market gain (loss) on investments	96	126	22	244	-
Proceeds from earnings on investments	17,939	23,413	4,060	45,412	-
Net cash provided by investing activities	18,035	23,539	4,082	45,656	-
Net increase (decrease) in cash and investments	16,327	468,917	49,880	535,124	11,275
Equity in pooled cash and investments, beginning of year	1,240,952	1,400,208	271,818	2,912,978	127,600
Pooled cash and investments, end of year	\$ 1,257,279	\$ 1,869,125	\$ 321,698	\$ 3,448,102	\$ 138,875
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating income (loss)	\$ 24,896	\$ 374,996	\$ (28,707)	\$ 371,185	\$ (196,402)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	84,993	42,826	750	128,569	195,420
Changes in assets and liabilities:					
Accounts receivable	7,031	(19,306)	(4,997)	(17,272)	(2,166)
Prepaid expenses	567	199	(963)	(197)	755
Inventory	1,716	14	-	1,730	1,124
Deferred outflows of resources - pension and OPEB	(100,181)	(59,103)	(49,201)	(208,485)	(45,620)
Accounts payable	(1,151)	-	10,070	8,919	5,817
Contracts payable	92	(77)	(43)	(28)	617
Accrued wages payable	1,315	656	465	2,436	486
Intergovernmental payable	(1,578)	(3,798)	762	(4,614)	1,106
Net pension and OPEB liability	295,474	170,306	157,318	623,098	135,924
Compensated absences payable	1,005	(3,338)	(2,045)	(4,378)	1,935
Deferred inflows of resources - pensions and OPEB	(93,636)	(57,997)	(37,611)	(189,244)	(41,697)
Net cash provided (used) by operating activities	\$ 220,543	\$ 445,378	\$ 45,798	\$ 711,719	\$ 57,299

CITY OF OAKWOOD, OHIO
Statement of Fiduciary Net Position
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2019

		Custodial Funds
<i>Assets</i>		
Pooled cash and investments	\$	7,507
Cash in segregated accounts		17,932
Total assets	\$	25,439
 <i>Net Position</i>		
Restricted for individuals, organizations, and other governments		25,439
Net Position	\$	25,439
 <i>Additions</i>		
Court Receipts	\$	109,074
Permits fees received		1,400
Total additions		110,474
 <i>Deductions</i>		
Municipal court disbursements		108,775
Miscellaneous payments		1,400
Total deductions		110,175
Change in net position		299
Net position, beginning of year - restated		25,140
Net position, end of year	\$	25,439

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit: City of Oakwood Health District

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund balance is

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the charter of the City.

The *Health District Fund* accounts for the City's public health activities, including inspections, issuance of licenses and the operation of a public health district and bureau of vital statistics.

The City reports the following major enterprise funds:

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

The *Sanitary 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 *Custodial Fiduciary Funds* are used to account for the collection and disbursement of monies by the City on behalf of other individuals, organizations or other governmental entities. The following are the City's custodial fiduciary funds. The Martin Luther King Jr. Community Recognition Fund accounts for funds related to Dr. Martin Luther King Jr. holiday celebration events, jointly sponsored by the cities of Oakwood and Kettering. The Municipal Court Fund accounts for activity relating to the Oakwood Municipal Court. The Contractor's Permits Fund accounts for monies placed on deposit with the City during the current calendar year and subsequently applied, at the direction of the contractor, to payment of permit fee obligations during the same current calendar year. Monies remaining in the account at the end of the year are transferred to the City's General Fund.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. 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.

Custodial fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. A liability to the beneficiaries of a fiduciary activity is recognized in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Pooled Cash and Investments

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

Receivables

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

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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, the governmental fund payables and accrued liabilities that, once occurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension / OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension / OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Capital Assets

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 5 and 6).

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the City's \$1,992,894 in restricted net position, none was restricted by enabling legislation.

Estimates

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

Grants and Other Intergovernmental Revenues

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

Interfund Transactions and Transfers

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 2 – POOLED CASH AND INVESTMENTS

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

Investment earnings are distributed to the funds according to charter and statutory requirements. Investment earnings reported in the statement of activities for 2019 amounted to \$240,601. This amount includes an increase of \$1,268 to reflect the market value of the City's investments at December 31, 2019.

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

Deposits: At year end, the City's bank balance was \$15,066,493. Of the bank balance, \$779,852 was insured by federal deposit insurance; the remaining \$14,286,641 was collateralized through participation in the Ohio Pooled Collateral System (OPCS). Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

	Fair Value	Investment Maturities (in Years)	
		Less than One Year	One to Five Years
Federal Home Loan Mortgage Corp	\$ 1,220,065	\$ -	\$ 1,220,065
Bank Certificates of Deposits	690,977	244,998	445,979
 Total	 \$ 1,911,042	 \$ 244,998	 \$ 1,666,044

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City’s investments are Level 2 inputs.

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

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

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

Investment	Percent
Federal Home Loan Mortgage Corp	63.84%
Bank Certificates of Deposits	36.16%

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 100% credit is allowed for income taxes paid to other municipalities prior to December 31, 2017. Effective January 1, 2018, a reduction factor of 0.90% is applied to income taxes paid to other municipalities. Filing is mandatory for all residents of the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

Property Taxes

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

The property tax calendar is as follows:

Levy date	December 31, 2018
Lien date	December 31, 2018
First installment payment due	February 15, 2019
Second installment payment due	July 19, 2019

The assessed values for the City at December 31, 2018 were as follows:

	<u>Assessed Value</u>
Real Estate	\$330,173,030
Tangible Personal Property	<u>2,673,690</u>
Total	<u>\$332,846,720</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, 2019

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, 2019 were:

	Governmental Funds	
	Receivables	Deferred Inflows of Resources
Property taxes	\$ 2,270,031	\$ 2,270,031
Income taxes	2,430,666	1,507,511
Accounts receivable	207,795	76,723
Special assessments	176,225	176,225
Interest	13,429	255
Intergovernmental	<u>557,131</u>	<u>492,196</u>
	<u>\$ 5,655,277</u>	<u>\$ 4,522,941</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, 2019 were:

Governmental Funds Payables	
Accounts payable	\$ 103,657
Contracts payable	43,988
Accrued wages	158,048
Intergovernmental	<u>161,314</u>
	<u>\$ 467,007</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, 2019

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental Activities</i>				
Non-depreciable capital assets:				
Land	\$ 4,824,164	\$ -	\$ -	\$ 4,824,164
Construction in progress	-	81,651	-	81,651
Non-depreciable capital assets	<u>4,824,164</u>	<u>81,651</u>	<u>-</u>	<u>4,905,815</u>
Depreciable capital assets:				
Buildings	15,266,802	43,594	-	15,310,396
Land Improvements	2,873,545	-	-	2,873,545
Equipment	2,642,307	110,849	(9,600)	2,743,556
Vehicles	2,619,503	117,807	(104,635)	2,632,675
Infrastructure	37,172,176	1,051,561	-	38,223,737
Depreciable capital assets	<u>60,574,333</u>	<u>1,323,811</u>	<u>(114,235)</u>	<u>61,783,909</u>
Less accumulated depreciation:				
Buildings	(7,422,129)	(499,023)	-	(7,921,152)
Land Improvements	(994,194)	(111,559)	-	(1,105,753)
Equipment	(1,928,533)	(100,215)	9,600	(2,019,148)
Vehicles	(2,274,910)	(59,274)	104,635	(2,229,549)
Infrastructure	(17,083,882)	(894,063)	-	(17,977,945)
Accumulated depreciation	<u>(29,703,648)</u>	<u>(1,664,134)</u>	<u>114,235</u>	<u>(31,253,547)</u>
Depreciable capital assets, net	<u>30,870,685</u>	<u>(340,323)</u>	<u>-</u>	<u>30,530,362</u>
Governmental activities capital assets, net	<u>\$ 35,694,849</u>	<u>\$ (258,672)</u>	<u>\$ -</u>	<u>\$ 35,436,177</u>

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 596,699
General government	536,480
Security of persons and property	65,886
Community environment	38,349
Transportation	177,961
Leisure time activities	53,339
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>195,420</u>
Total depreciation expense - governmental activities	<u>\$ 1,664,134</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Business-type Activities</i>				
Non-depreciable capital assets:				
Land	\$ 283,820	\$ -	\$ -	\$ 283,820
Depreciable capital assets:				
Buildings	836,702	127,250	-	963,952
Land Improvements	165,034	-	-	165,034
Equipment	2,984,811	65,082	-	3,049,893
Vehicles	367,202	29,919	(6,456)	390,665
Infrastructure	4,750,102	-	-	4,750,102
Depreciable capital assets	<u>9,103,851</u>	<u>222,251</u>	<u>(6,456)</u>	<u>9,319,646</u>
Less accumulated depreciation:				
Buildings	(611,431)	(17,331)	-	(628,762)
Land Improvements	(99,197)	(6,076)	-	(105,273)
Equipment	(2,664,584)	(46,100)	-	(2,710,684)
Vehicles	(309,782)	(8,650)	6,456	(311,976)
Infrastructure	<u>(3,360,379)</u>	<u>(50,412)</u>	<u>-</u>	<u>(3,410,791)</u>
Accumulated depreciation	(7,045,373)	(128,569)	6,456	(7,167,486)
Depreciable capital assets, net	<u>2,058,478</u>	<u>93,682</u>	<u>-</u>	<u>2,152,160</u>
Business-type Activities capital assets, net	<u>\$ 2,342,298</u>	<u>\$ 93,682</u>	<u>\$ -</u>	<u>\$ 2,435,980</u>

NOTE 5 – DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

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

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Ohio Public Employees Retirement System (OPERS)

Plan Description – The City's employees, other than full-time public 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 / defined contribution pension plan. While employees may elect the member-directed plan and the combined plan, substantially all employee members are in the traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting 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 in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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

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

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% 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 3.00%.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>State and Local</u>
2019 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee	10.00%
 2019 Actual Contribution Rates	
Employer:	
Pension	14.00%
Post-employment Health Care Benefits	<u>0.00%</u>
Total Employer	<u>14.00%</u>
 Employee	 <u>10.00%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2019, the City’s contractually required contribution was \$565,044, of this amount \$65,940 is reported as an intergovernmental payable.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – City full-time safety officers participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at 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, 2019

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 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	<u>Safety Officers</u>
2019 Statutory Maximum Contribution Rates	
Employer	19.50%
Employee	12.25%
2019 Actual Contribution Rates	
Employer:	
Pension	19.00%
Post-employment Health Care Benefits	<u>0.50%</u>
Total Employer	<u>19.50%</u>
Employee	<u>12.25%</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Employer contributions are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$615,144 for 2019. Of this amount \$77,560 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. During 2019, the City paid off the liability in full.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018 to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the Net Pension Liability	\$ 7,875,685	\$ 9,972,383	\$ 17,848,068
Proportion of the Net Pension Liability Current Measurement Date	0.0287560%	0.1221710%	
Proportion of the Net Pension Liability Prior Measurement Date	<u>0.0291840%</u>	<u>0.1219430%</u>	
Change in Proportionate Share	-0.0004280%	0.0002280%	
Pension Expense	\$ 1,858,792	\$ 1,299,607	\$ 3,158,399

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of resources:			
Differences between expected and actual experience	\$ 364	\$ 409,725	\$ 410,089
Changes in assumptions	685,598	264,381	949,979
Net difference between projected and actual earnings on pension plan investments	1,068,950	1,228,589	2,297,539
Changes in employer proportionate share of net pension liability	5,574	164,102	169,676
Contributions subsequent to the measurement date	<u>565,044</u>	<u>615,144</u>	<u>1,180,188</u>
Total Deferred Outflows of Resources	<u>\$ 2,325,530</u>	<u>\$ 2,681,941</u>	<u>\$ 5,007,471</u>
Deferred Inflows of resources:			
Differences between expected and actual experience	\$ 103,412	\$ 9,312	\$ 112,724
Changes in employer proportionate share of net pension liability	<u>50,636</u>	<u>210,213</u>	<u>260,849</u>
Total Deferred Inflows of Resources	<u>\$ 154,048</u>	<u>\$ 219,525</u>	<u>\$ 373,573</u>

\$1,180,188 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		
<u>Year Ending December 31:</u>	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
2021	\$ 688,444	\$ 563,296	\$ 1,251,740
2022	321,686	294,641	616,327
2023	99,167	355,728	454,895
2024	497,142	592,200	1,089,342
2025	-	41,407	41,407
Total	<u>\$ 1,606,439</u>	<u>\$ 1,847,272</u>	<u>\$ 3,453,711</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

	OPERS
	<u>Traditional Plan</u>
Wage Inflation	3.25%
Projected Salary Increases,	3.25% - 10.75%
	(including wage inflation at 3.25%)
COLA or Ad Hoc COLA:	
Pre 1/7/2013 Retirees	3.00% Simple
Post 1/7/2013 Retirees	3.00% Simple through 2018
	then 2.15% Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other investments	<u>18.00%</u>	5.50%
 Total	 <u>100.00%</u>	 5.95%

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.20% for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.20%, and the expected net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.20%)</u>	<u>(7.20%)</u>	<u>(8.20%)</u>
Proportionate share of the net pension liability	\$ 11,634,678	\$ 7,875,685	\$ 4,751,929

Changes since the prior Measurement Date and to Report Date – OPERS Board adopted a change in the investment assumption, reducing it from 7.50% to 7.20%.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019 (December 31, 2018 measurement date), is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Salary Increases	3.75% - 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost-of-Living Adjustments	3.00% Simple; 2.20% simple for increases based on the lessor of the increase in CPI and 3.00%

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

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

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

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

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F’s prior actuary and the assumptions were effective January 1, 2017.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	<u>12.00%</u>	6.10%
Total	<u>120.00%</u>	

Note: Assumptions are geometric

* Levered 2x

OPF’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate – The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F’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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 7.00%, or one percentage point higher, 9.00%, than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Proportionate share of the net pension liability	\$ 13,108,009	\$ 9,972,383	\$ 7,352,113

Changes in Benefit Terms and Assumptions since Measurement Date and to Report Date – There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation studies for the pension plan for the measurement date.

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

See Note 5 for a description of the net OPEB liability.

Ohio Public Employees Retirement System OPEB

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 1.00% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.00% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$0 for 2019.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Ohio Police and Fire Pension Fund OPEB

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. Beginning January 1, 2019, OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

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

The Ohio Revised Code allows, but does not mandate, 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. The report may be obtained by visiting the OP&F website at op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% of covered payroll for safety officers. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for safety officer employer units. Active members do not make contributions to the OPEB Plan.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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

The City's contractually required contribution to OP&F was \$16,188 for 2019, of this amount \$ 390 is included as an intergovernmental payable.

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

Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Following is information related to the proportionate share and OPEB expense:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the Net OPEB Liability	\$ 3,692,390	\$ 1,112,554	\$ 4,804,944
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02832100%	0.12217100%	
Prior Measurement Date	<u>0.02881000%</u>	<u>0.12194300%</u>	
 Change in Proportionate Share	 -0.00048900%	 0.00022800%	
 OPEB Expense	 \$ 315,394	 \$ (5,450,217)	 \$ (5,134,823)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of resources:			
Differences between expected and actual experience	\$ 1,250	\$ -	\$ 1,250
Changes in assumptions	119,047	576,695	695,742
Net difference between projected and actual earnings on OPEB plan investments	169,274	37,661	206,935
Changes in employer proportionate share of net OPEB liability	-	149,130	149,130
Contributions subsequent to the measurement date	<u>-</u>	<u>16,188</u>	<u>16,188</u>
Total Deferred Outflows of Resources	<u>\$ 289,571</u>	<u>\$ 779,674</u>	<u>\$ 1,069,245</u>
 Deferred Inflows of resources:			
Differences between expected and actual experience	\$ 10,019	\$ 29,807	\$ 39,826
Changes in assumptions	-	308,007	308,007
Changes in employer proportionate share of net OPEB liability	<u>37,440</u>	<u>-</u>	<u>37,440</u>
Total Deferred Inflows of Resources	<u>\$ 47,459</u>	<u>\$ 337,814</u>	<u>\$ 385,273</u>

\$16,188 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

<u>Year Ending December 31:</u>	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
2020	\$ 113,131	\$ 74,859	\$ 187,990
2021	16,360	74,859	91,219
2022	27,347	74,859	102,206
2023	85,274	86,250	171,524
2024	-	68,292	68,292
Thereafter	-	46,552	46,552
Total	<u>\$ 242,112</u>	<u>\$ 425,671</u>	<u>\$ 667,783</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% - 10.75% (including wage inflation)
Single Discount Rate:	
Current Measurement Date	3.96%
Prior Measurement Date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.0%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age, Normal

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
Real Estate Investment Trust	6.00%	5.98%
International Equities	22.00%	7.83%
Other investments	<u>17.00%</u>	5.57%
 Total	 <u>100.00%</u>	 5.16%

Discount Rate – A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan’s fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

	1% Decrease <u>(2.96%)</u>	Current Discount Rate <u>(3.96%)</u>	1% Increase <u>(4.96%)</u>
Proportionate share of the net OPEB liability	\$ 4,723,943	\$ 3,692,390	\$ 2,872,033

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	<u>1.00% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1.00% Increase</u>
Proportionate share of the net OPEB liability	\$ 3,549,188	\$ 3,692,390	\$ 3,857,320

Changes since prior Measurement Date and to Report Date – OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Actuarial Assumptions – OPF

OPF's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current Measurement Date	4.66%
Prior Measurement Date	3.24%
Stipend Increase Rate	The stipend is not assured to increase over the projection period

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized on the next page:

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	<u>12.00%</u>	6.10%
Total	<u>120.00%</u>	

Note: Assumptions are geometric

* Levered 2x

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

Discount Rate – Total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017 was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 3.66%, or one percentage point higher, 5.66%, than the current rate.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

	1.00% Decrease <u>(3.66%)</u>	Current Discount Rate <u>(4.66%)</u>	1.00% Increase <u>(5.66%)</u>
Proportionate share of the net OPEB liability	\$ 1,355,395	\$ 1,112,554	\$ 908,711

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Net OPEB liability for OP&F is not sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

Changes since Prior Measurement Date and to Report Date – Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.50%.

Other Employee Benefits – Compensated Absences:

Accumulated Unpaid Vacation and Sick Leave

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City amounted to \$516,040 at December 31, 2019.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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 \$1,038,170 at December 31, 2019.

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	\$ 67,488
Health district fund	-
Other governmental funds	554,770
Internal Service Funds	13,874
Enterprise Funds	<u>360,115</u>
Total	<u>\$ 996,247</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 8 – TRANSFERS

The following is a summary of transfers in and out for all funds in 2019:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ -	\$ 2,627,624
Health district	\$ -	\$ -
Other governmental	<u>2,627,624</u>	<u>-</u>
Total transfers	<u>\$ 2,627,624</u>	<u>\$ 2,627,624</u>

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

NOTE 9 – CONTINGENT LIABILITIES

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

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

NOTE 10 – LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS

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 7.50% 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 2.50% of the total value of all property in the municipal corporation as listed and assessed for taxation. As of December 31, 2019, the City had legal debt margin for total debt of \$24,963,504 and a legal debt margin for unvoted debt of \$8,321,168.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Long-term Obligations

The following is a summary of long-term liability activity for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Governmental Activities:</u>					
Police and Fire Pension	\$ 422,349	\$ -	\$ 422,349	\$ -	\$ -
Compensated Absences Payable	1,326,608	669,164	616,525	1,379,247	609,818
Total	\$ 1,748,957	\$ 669,164	\$ 1,038,874	\$ 1,379,247	\$ 609,818
<u>Business-Type Activities:</u>					
Compensated Absences Payable	\$ 179,341	\$ 66,274	\$ 70,652	\$ 174,963	\$ 77,358
Total	\$ 179,341	\$ 66,274	\$ 70,652	\$ 174,963	\$ 77,358
Net Pension Liability:					
<u>Governmental Activities:</u>					
OPERS	\$ 3,564,282	\$ 3,011,099	\$ -	\$ 6,575,381	
OP&F	7,484,193	2,488,189	-	9,972,382	
Total	\$ 11,048,475	\$ 5,499,288	\$ -	\$ 16,547,763	
<u>Business-Type Activities:</u>					
OPERS	\$ 764,458	\$ 535,847	\$ -	\$ 1,300,305	
Net Other Postemployment Benefits Liability:					
<u>Governmental Activities:</u>					
OPERS	\$ 2,606,177	\$ 476,586	\$ -	\$ 3,082,763	
OP&F	6,909,120	-	5,796,566	1,112,554	
Total	\$ 9,515,297	\$ 476,586	\$ 5,796,566	\$ 4,195,317	
<u>Business-Type Activities:</u>					
OPERS	\$ 522,376	\$ 87,251	\$ -	\$ 609,627	

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. The City paid the obligation in full in 2019.

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

There is no repayment schedule for the net pension and OPEB liabilities; however, employer contributions are made from the fund benefiting from related employees' services.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City secures general liability, property and automobile coverage through the Ohio Plan Risk Management, Inc. (OPRM). OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017 the OPRM's retention decreased to 47% of the first \$250,000 casualty treaty. Effective November 1, 2018 the OPRM's retention increased to 100% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from the prior 2 years. Effective November 1, 2019, the Plan's casualty retention remained unchanged. The Plan's property retention increased to 33% of the first \$1,000,000 property treaty from 30% the prior two treaties. A complementary excess treaty will respond by reimbursing the OPRM 33% of the loss value between \$200,000 and \$1,000,000. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. The City pays an annual premium to OPRM for this coverage. Insurance will cover up to the limits as stated below:

	<u>Per Occurrence</u>	<u>Annual Aggregate</u>	<u>Deductible</u>
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 2019, 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 \$6,109, \$7,272 and \$10,325 for the years ended December 31, 2019, 2018 and 2017, respectively.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

For fiscal year 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The implementation of GASB Statement No. 84 affected the accounting and reporting of fiduciary activities.

GASB Statement No. 88 improves information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

A net position restatement is required in order to implement GASB Statement No. 84. The governmental activities, business-type activities and internal service at January 1, 2019 have been restated as follows:

	Custodial <u>Funds</u>
Net position as previously reported	\$ -
Adjustments:	
Presentation changes - GASB Statement No. 84	<u>25,140</u>
Restated net position January 1, 2019	<u>\$ 25,140</u>

Other than restating fund balance for the custodial funds, the City made no restatement for prior periods as the information needed to generate information needed to generate restatements was not available.

NOTE 13 – SUBSEQUENT EVENTS

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding either federal or state, cannot be estimated.



Required Supplementary Information

CITY OF OAKWOOD, OHIO

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees Retirement System</i>						
City's proportion of the net pension liability	0.028756%	0.029184%	0.029075%	0.029559%	0.029810%	0.029810%
City's proportionate share of the net pension liability	\$ 7,875,685	\$ 4,328,740	\$ 6,602,438	\$ 5,119,991	\$ 3,595,419	\$ 3,514,211
City's covered-employee payroll	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758	\$ 3,891,075	\$ 3,666,814	\$ 4,149,576
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.77%	112.25%	175.65%	131.58%	98.05%	84.69%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Ohio Police & Fire Pension Fund</i>						
City's proportion of the net pension liability	0.122171%	0.121943%	0.118012%	0.124664%	0.126194%	0.126194%
City's proportionate share of the net pension liability	\$ 9,972,383	\$ 7,484,193	\$ 7,474,762	\$ 8,019,723	\$ 6,537,381	\$ 6,146,049
City's covered-employee payroll	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505	\$ 2,799,400	\$ 2,779,544	\$ 2,811,710
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	324.47%	254.28%	264.83%	286.48%	235.20%	218.59%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) This schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note: Amounts presented as of the City's measurement date which is the prior fiscal year end.

CITY OF OAKWOOD, OHIO

Schedule of The City's Contributions for Net Pension Liability Last Six Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees Retirement System</i>						
Contractually required contributions to net pension	\$ 565,044	\$ 543,760	\$ 501,333	\$ 451,051	\$ 466,929	\$ 440,018
Contributions to net pension in relation to the contractually required contributions	<u>(565,044)</u>	<u>(543,760)</u>	<u>(501,333)</u>	<u>(451,051)</u>	<u>(466,929)</u>	<u>(440,018)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,036,029	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758	\$ 3,891,075	\$ 3,666,814
Contributions to net pension as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
<i>Ohio Police & Fire Pension Fund</i>						
Contractually required contributions to net pension	\$ 615,144	\$ 583,961	\$ 559,235	\$ 536,276	\$ 531,886	\$ 528,114
Contributions to net pension in relation to the contractually required contributions	<u>(615,144)</u>	<u>(583,961)</u>	<u>(559,235)</u>	<u>(536,276)</u>	<u>(531,886)</u>	<u>(528,114)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,237,600	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505	\$ 2,779,400	\$ 2,779,544
Contributions to net pension as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	19.00%	19.14%	19.00%

(1) This schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

CITY OF OAKWOOD, OHIO

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees Retirement System</i>			
City's proportion of the net OPEB liability	0.02832100%	0.02881000%	0.02886127%
City's proportionate share of the net OPEB liability	\$ 3,692,390	\$ 3,128,554	\$ 2,807,899
City's covered-employee payroll	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	95.07%	81.13%	74.70%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.04%
<i>Ohio Police & Fire Pension Fund</i>			
City's proportion of the net OPEB liability	0.12217100%	0.12194300%	0.11801200%
City's proportionate share of the net OPEB liability	\$ 1,112,554	\$ 6,909,120	\$ 5,601,764
City's covered-employee payroll	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	36.20%	234.74%	198.47%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	15.96%

(1) This schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note: Amounts presented as of the City's measurement date which is the prior fiscal year end.

CITY OF OAKWOOD, OHIO

Schedule of The City's Contributions to Postemployment Benefits Other Than Pension (OPEB) Last Four Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees Retirement System</i>				
Contractually required contributions to OPEB	\$ -	\$ -	\$ 42,244	\$ 79,738
Contributions to OPEB in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>(42,244)</u>	<u>(79,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,036,029	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758
Contributions to OPEB as a percentage of covered-employee payroll	0.00%	0.00%	1.10%	2.12%
<i>Ohio Police & Fire Pension Fund</i>				
Contractually required contributions to OPEB	\$ 16,188	\$ 15,367	\$ 14,458	\$ 14,294
Contributions to OPEB in relation to the contractually required contributions	<u>(16,188)</u>	<u>(15,367)</u>	<u>(14,458)</u>	<u>(14,294)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,237,600	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505
Contributions to OPEB as a percentage of covered-employee payroll	0.50%	0.50%	0.49%	0.51%

(1) This schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

CITY OF OAKWOOD, OHIO

Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income taxes	\$ 7,600,000	\$ 7,600,000	\$ 8,067,687	\$ 467,687
Property taxes	2,640,065	2,640,065	2,694,266	54,201
Intergovernmental	263,979	263,979	297,861	33,882
Charges for services	117,925	117,925	99,895	(18,030)
Fines, licenses and permits	191,950	191,950	197,028	5,078
Investment earnings	130,000	130,000	154,220	24,220
Donations	3,650	3,650	1,425	(2,225)
Miscellaneous	33,550	33,550	140,321	106,771
Total revenues	<u>10,981,119</u>	<u>10,981,119</u>	<u>11,652,703</u>	<u>671,584</u>
Expenditures				
Current:				
Security of persons and property	5,681,507	5,681,507	5,569,158	112,349
Community environment	700,026	700,026	580,595	119,431
General government	2,181,703	2,181,703	1,982,329	199,374
Total expenditures	<u>8,563,236</u>	<u>8,563,236</u>	<u>8,132,082</u>	<u>431,154</u>
Excess of revenues over (under) expenditures	<u>2,417,883</u>	<u>2,417,883</u>	<u>3,520,621</u>	<u>1,102,738</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers out	(2,566,240)	(3,285,240)	(2,717,617)	567,623
Total other financing sources (uses)	<u>(2,566,240)</u>	<u>(3,285,240)</u>	<u>(2,717,617)</u>	<u>567,623</u>
Net change in fund balance	(148,357)	(867,357)	803,004	1,670,361
Fund balance, beginning of year	6,007,189	6,007,189	6,007,189	-
Fund balance, end of year	<u>\$ 5,858,832</u>	<u>\$ 5,139,832</u>	<u>\$ 6,810,193</u>	<u>\$ 1,670,361</u>

CITY OF OAKWOOD, OHIO

Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis
Health Fund
For the Year Ended December 31, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 116,289	\$ 116,289	\$ 116,289	\$ -
Intergovernmental	1,725	1,725	1,726	1
Charges for services	500	500	2,224	1,724
Fines, licenses and permits	<u>36,930</u>	<u>36,930</u>	<u>37,409</u>	<u>479</u>
Total revenues	<u>155,444</u>	<u>155,444</u>	<u>157,648</u>	<u>2,204</u>
Expenditures				
Current:				
Public health	<u>143,810</u>	<u>143,810</u>	<u>122,401</u>	<u>21,409</u>
Total expenditures	<u>143,810</u>	<u>143,810</u>	<u>122,401</u>	<u>21,409</u>
Excess of revenues over (under) expenditures	<u>11,634</u>	<u>11,634</u>	<u>35,247</u>	<u>23,613</u>
Net change in fund balance	11,634	11,634	35,247	23,613
Fund balance, beginning of year	<u>57,108</u>	<u>57,108</u>	<u>57,108</u>	<u>-</u>
Fund balance, end of year	<u>\$ 68,742</u>	<u>\$ 68,742</u>	<u>\$ 92,355</u>	<u>\$ 23,613</u>

See notes to required supplementary information.

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2019

Note 1 – Net Pension Plan Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2019: There has been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.50% to 4.00%
- Reduce CPI-based COLA from 2.60% to 2.20%
- Inflation component reduced from 3.25% to 2.75%

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

Changes in benefit terms:

2019-2014: There were no changes in benefit terms for the period.

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

Changes in assumptions:

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2019

Note 1 – Net Pension Plan Liability (Continued)

Changes in benefit terms:

2019-2014: There were no changes in benefit terms for the period.

Note 2 – Net Other Post Employment Benefits (OPEB) Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

2018: The single discount rate changed from 4.23% to 3.85%.

Changes in benefit terms:

2019-2018: There were no changes in benefit terms for the period.

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

Changes in assumptions:

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2019

Note 2 – Net Other Post Employment Benefits (OPEB) Liability (Continued)

years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.50%.

2018: The single discount rate changed from 3.79% to 3.24%

Changes in benefit terms:

2019: See above regarding change to stipend-based model.

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

Note 3 – 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.

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2019

Note 3 – Budgetary Basis of Accounting (Continued)

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 4 – Budgetary Process

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2019

Note 5 – 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	Health Fund
GAAP Basis	\$ 1,038,696	\$ 30,592
Adjustments:		
Other fund balances included in governmental GAAP basis	(235,341)	-
Revenue accruals	(59,176)	(52)
Expenditure accruals	(344,558)	4,707
Encumbrances	(36,725)	-
Transfers	440,108	-
Budgetary Basis	<u>\$ 803,004</u>	<u>\$ 35,247</u>

CITY OF OAKWOOD, OHIO



Yellow Book Report

December 31, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
April 30, 2020

OHIO AUDITOR OF STATE KEITH FABER



CITY OF OAKWOOD

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 11, 2020**