



Dave Yost • Auditor of State



City of Oakwood

Basic Financial Statements
For the Year Ended
December 31, 2013

City of Oakwood, Ohio

Basic Financial Statements
For the Year Ended December 31, 2013

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
Stanley Castleman
Robert Stephens
Anne Hilton

CITY MANAGER

Norbert S. Klopsch

INDEPENDENT AUDITORS

Ohio Auditor of State

DEPARTMENT OF FINANCE

Staff

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

CITY OF OAKWOOD, OHIO



**CITY OF OAKWOOD
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Montgomery County, Ohio, as of December 31, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 8, 2014

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2013

Our discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overall review of the financial activities of the City for the year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information, including the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's total net position increased by \$48,388 or 0.10% while unrestricted net position decreased \$927,647 or 8.36%.
- Total revenues increased \$3,302,419 or 26.20% while total expenses increased \$ 344,665 or 2.22%.
- Total fund balances of governmental activities increased by \$1,115,171 or 15.31%.
- Governmental fund revenues increased \$2,237,742 or 20.83% while governmental fund expenditures increased \$125,562 or 1.07%.
- The net position of the City's business-type activities increased by \$198,074 or 3.57%.
- Total revenue of business-type activities increased \$89,401 or 3.37% while total expenses increased \$150,667 or 6.29%.
- The General Fund balance increased \$1,624,475 or 39.77%.
- The General Fund revenues increased \$2,243,818 or 22.66% while expenditures decreased \$523,197 or 5.27%.

Using this Annual Financial Report

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities help to answer this question. These

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2013

statements include all assets, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2013

City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

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

Agency Funds

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

The City as a Whole

For 2013, the City's assets exceeded liabilities and deferred inflows of resources by a total of \$50.8 million. This represents an increase of 0.10% from the prior year. The unrestricted net position, the net position that can be used to finance daily operation without constraints established by enabling legislation or other legal requirements decreased by \$927,647 or 8.36%.

Explanations for the significant fluctuations between 2013 and 2012 are as follows:

- Estate Tax revenue increased approximately \$1.8 million from 2012.
- Charges for services increased \$683,000 or 16% primarily as a result of the increase in refuse collection fees.
- The City increased its roadway expenditures in Public Works by \$770,000.
- The City paid off short -term debt totaling \$2.4 million in 2013.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
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The following tables provide a summary of the City's net position and changes in net position for the year.

TABLE 1
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 12,878,257	\$ 12,964,563	\$ 4,116,637	\$ 3,675,440	\$ 16,994,894	\$ 16,640,003
Capital assets, net	36,960,653	38,387,171	2,316,011	2,372,064	39,276,664	40,759,235
Total assets	<u>49,838,910</u>	<u>51,351,734</u>	<u>6,432,648</u>	<u>6,047,504</u>	<u>56,271,558</u>	<u>57,399,238</u>
Current and other liabilities	958,075	3,498,935	442,718	270,830	1,400,793	3,769,765
Long-term liabilities:						
Due within one year	194,905	207,489	60,972	52,765	255,877	260,254
Due in more than one year	1,493,125	1,581,619	179,242	172,267	1,672,367	1,753,886
Total liabilities	<u>2,646,105</u>	<u>5,288,043</u>	<u>682,932</u>	<u>495,862</u>	<u>3,329,037</u>	<u>5,783,905</u>
Deferred inflows of resources	<u>2,140,798</u>	<u>861,998</u>	<u>-</u>	<u>-</u>	<u>2,140,798</u>	<u>861,998</u>
Net position:						
Invested in capital assets, net	36,960,653	35,985,171	2,251,364	2,281,558	39,212,017	38,266,729
Restricted	1,425,647	1,394,900	-	-	1,425,647	1,394,900
Unrestricted	6,665,707	7,821,622	3,498,352	3,270,084	10,164,059	11,091,706
Total net position	<u>\$ 45,052,007</u>	<u>\$ 45,201,693</u>	<u>\$ 5,749,716</u>	<u>\$ 5,551,642</u>	<u>\$ 50,801,723</u>	<u>\$ 50,753,335</u>

TABLE 2
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 2,228,832	\$ 1,637,112	\$ 2,732,304	\$ 2,640,560	\$ 4,961,136	\$ 4,277,672
Operating grants & contributions	10,635	10,092	-	-	10,635	10,092
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Income taxes	6,221,142	5,715,684	-	-	6,221,142	5,715,684
Property taxes	1,478,004	1,466,158	-	-	1,478,004	1,466,158
Unrestricted grants & contributions	3,089,490	1,023,197	-	-	3,089,490	1,023,197
Investment earnings	4,761	58,318	1,181	11,919	5,942	70,237
Miscellaneous	129,888	39,173	8,846	451	138,734	39,624
Total revenues	<u>13,162,752</u>	<u>9,949,734</u>	<u>2,742,331</u>	<u>2,652,930</u>	<u>15,905,083</u>	<u>12,602,664</u>
Program Expenses						
Security of persons and property	5,286,908	5,325,823	-	-	5,286,908	5,325,823
Public health services	116,752	116,604	-	-	116,752	116,604
Leisure time activities	992,176	1,023,111	-	-	992,176	1,023,111
Community environment	1,715,903	1,972,632	-	-	1,715,903	1,972,632
Transportation	900,359	1,019,039	-	-	900,359	1,019,039
General government	2,622,063	2,726,184	-	-	2,622,063	2,726,184
Public works	1,656,463	885,704	-	-	1,656,463	885,704
Interest and fiscal charges	21,814	49,343	-	-	21,814	49,343
Water	-	-	888,982	1,011,896	888,982	1,011,896
Sewer	-	-	1,415,252	1,381,694	1,415,252	1,381,694
Stormwater	-	-	240,023	-	240,023	-
Total expenses	<u>13,312,438</u>	<u>13,118,440</u>	<u>2,544,257</u>	<u>2,393,590</u>	<u>15,856,695</u>	<u>15,512,030</u>
Changes in net position	(149,686)	(3,168,706)	198,074	259,340	48,388	(2,909,366)
Net position, beginning of year	45,201,693	48,370,399	5,551,642	5,292,302	50,753,335	53,662,701
Net position, end of year	<u>\$ 45,052,007</u>	<u>\$ 45,201,693</u>	<u>\$ 5,749,716</u>	<u>\$ 5,551,642</u>	<u>\$ 50,801,723</u>	<u>\$ 50,753,335</u>

CITY OF OAKWOOD, OHIO
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended December 31, 2013

Governmental Activities

The City has chosen to use unrestricted cash reserves to cover the shortfall between revenues and expenditures because of the significant amounts of estate tax revenue that have been received in the past.

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

TABLE 3
ANALYSIS OF PROGRAM EXPENSES
GOVERNMENTAL ACTIVITIES

	Total Expense by Function / Program	Percentage of Total Program Expenses	Total Program Revenue	Net Expense of Function	Percentage of Function Financed with General Revenues
<i>Program Expenses</i>					
Security of persons and property	\$ 5,286,908	39.72%	\$ (281,502)	\$ 5,005,406	94.68%
Public health services	116,752	0.88%	(28,581)	88,171	75.52%
Leisure time activities	992,176	7.45%	(499,265)	492,911	49.68%
Community environment	1,715,903	12.89%	(1,135,352)	580,551	33.83%
Transportation	900,359	6.76%	-	900,359	100.00%
General government	2,622,063	19.70%	(294,767)	2,327,296	88.76%
Public works	1,656,463	12.44%	-	1,656,463	100.00%
Interest and fiscal charges	21,814	0.16%	-	21,814	100.00%
	<u>\$ 13,312,438</u>	<u>100.00%</u>	<u>\$ (2,239,467)</u>	<u>\$ 11,072,971</u>	<u>83.18%</u>

As indicated by Table 3, the City is spending more than half of its resources (52.61%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 39.72% of total program expenses, revenues generated by the public safety department cover only 5.32% of functional expenses. This means that general revenues collected by the City, principally income and property taxes, must cover the remaining 94.68% of expenses reported by the public safety department. Refuse collection fees are the most significant program revenue source that helps offset the expenses reported for the community environment functions.

General government functions, principally legislative, administration and judicial activities, comprise 19.70% 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 50.39% 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 82.99% of the total governmental revenues collected by the City during 2013. Principal components of general revenues; grants and contributions not restricted to specific purposes, including income taxes

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
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(56.95%) and property taxes (13.53%), are used to furnish the quality of life and services to citizens and businesses to which they have become accustomed.

Business-Type Activities

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

Water – The water department at the City of Oakwood is responsible for the production, treatment and delivery of quality water to businesses and citizens within the boundaries of the City. Various functions within the water department include administration, water production, water distribution and maintaining and upgrading the infrastructure used to produce, treat and distribute the water. The water department in 2013 experienced an operating loss of \$79,856, compared to income of \$49,822 in 2012. 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, 2013 the unrestricted net position represented 163.67% of the operating expenses reported for 2013.

Sewer – The City's sewer department is responsible for the collection and treatment of wastewater generated throughout the City. Various functions within the sewer department include administration, disposal, and maintaining and upgrading infrastructure used in the collection and disposal of wastewater. The sewer department recognized operating income of \$114,015 during 2013 as compared to \$234,356 reported for 2012.

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

Overall, the City's business-type activities generated \$2.74 million in program revenue during 2013, while program expenses were \$2.54 million. The business-type activities incurred an overall increase in net position of \$198,074. This increase shows an improvement in overall operations in the last several years. It should be noted that the unrestricted net position of the business-type activities totaled \$3.50 million at the end of 2013. The amount of unrestricted net position for business-type activities reported at December 31, 2013 equaled 137.50% of the total expenses reported for business-type activities for 2013. Management will continue to monitor utility rate charges and necessary adjustments will be made to provide any additional financial resources needed.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
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The City's Funds

The governmental funds of the City are reported using the modified accrual basis of accounting. These funds had total revenues of \$12.98 million and expenditures of \$11.86 million for 2013. In total, the governmental funds reported a \$1,115,171 increase in total fund balance for the year. In 2012, the fund balance of the City's governmental funds decreased by \$997,009. Most of the increase in 2013 and decrease in 2012 is associated with estate tax receipts in both years. 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, 2013 were \$8.26 million, or 69.61% of the total expenditures reported for the governmental funds for 2013.

The City's General Fund realized a \$1,624,475 increase in fund balance during 2013 as compared to the \$1,320,206 decrease in 2012. The increase in fund balance in 2013 as compared to the decrease in 2012 is primarily the result of \$1.79 million in estate tax revenue in 2013. Annually, the General Fund transfers amounts to other funds to cover recreation, street maintenance, state highway and other programs. These transfers also pay for capital improvement projects and construction of capital assets. The General Fund transferred \$1,113,487 to other funds in 2013 as compared to \$1,291,153 to other funds in 2012.

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

General Fund Budgeting Highlights

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

For the General Fund, budget basis revenue was \$8.77 million as compared to the actual revenues received of \$10.56 million. The City's variances in revenues received were from the following:

- Estate tax receipts were \$1.66 million more than budget,
- A one-time rebate from the State of Ohio for workers' compensation premiums was received in miscellaneous income of \$64,000.

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The budgeted expenditures of the City did not change from the original budget to the final budget. Actual expenditures were \$438,921 less than budgeted expenditures. For the year ended December 31, 2013 the total actual budgetary change in fund balance for the General Fund was an increase of \$3,525,023 resulting in a reported \$3,951,755 ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 52.50% of the total budgetary expenditures of the General Fund for 2013.

Capital Assets

At the end of 2013, the City had a total of \$70.07 million invested in capital assets less accumulated depreciation of \$30.79 million resulting in total capital assets, net of accumulated depreciation of \$39.28 million.

During 2013, asset additions were as follows:

- \$50,000 irrigation system at the Old River Soccer Fields;
- Various equipment totaling \$59,000;
- \$32,800 of new radio transmitters for the water meters.

Table 4 shows 2013 capital asset balances compared to those of 2012:

TABLE 4
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,672,504	\$ 4,672,504	\$ 283,820	\$ 283,820	\$ 4,956,324	\$ 4,956,324
Buildings	9,882,893	10,362,893	349,871	369,725	10,232,764	10,732,618
Land Improvements	1,307,521	1,342,125	55,486	60,813	1,363,007	1,402,938
Equipment	347,395	413,831	46,073	18,511	393,468	432,342
Vehicles	287,463	420,901	3,504	8,900	290,967	429,801
Infrastructure	20,462,877	21,174,917	1,577,257	1,630,295	22,040,134	22,805,212
Total	\$ 36,960,653	\$ 38,387,171	\$ 2,316,011	\$ 2,372,064	\$ 39,276,664	\$ 40,759,235

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

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Debt Administration

At December 31, 2013, the City had a total of approximately \$567,000 of long-term debt obligations compared with approximately \$2.4 million in short-term and \$600,000 of long-term debt reported at December 31, 2012.

Governmental debt obligations include \$502,628 of police and fire pension liability.

The \$64,647 Ohio Public Works Commission (OPWC) loan reported in the City's sewer fund was reduced by \$25,859 from the \$90,506 reported on December 31, 2012. This is an interest free loan which was used to improve the City's sanitary sewer system and is being repaid through operating revenues of the sewer fund.

At December 31, 2013, the City's overall legal debt margin was \$31.41 million and the unvoted debt margin was \$16.45 million. See Note 8 to the basic financial statements for more detailed information on the debt obligations of the City.

Contacting the City's Finance Department

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

CITY OF OAKWOOD, OHIO

Statement of Net Position

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 8,362,718	\$ 2,924,127	\$ 11,286,845
Cash in segregated accounts	8,413	-	8,413
Receivables:			
Property taxes	2,170,259	-	2,170,259
Income taxes	2,200,736	-	2,200,736
Accounts	176,230	289,219	465,449
Special assessments	154,951	69,584	224,535
Interest	3,926	1,309	5,235
Intergovernmental	517,649	-	517,649
Prepaid expenses	31,636	3,668	35,304
Internal balances	(810,268)	810,268	-
Inventory	62,007	18,462	80,469
Nondepreciable capital assets	4,672,504	283,820	4,956,324
Depreciable capital assets (net of accumulated depreciation)	32,288,149	2,032,191	34,320,340
Total assets	\$ 49,838,910	\$ 6,432,648	\$ 56,271,558
Liabilities			
Accounts payable	20,687	98,736	119,423
Contracts payable	49,448	6,074	55,522
Accrued wages payable	262,423	33,923	296,346
Intergovernmental payable	365,593	303,985	669,578
Unearned revenue - income tax credits	259,924	-	259,924
Long-term liabilities:			
Due within one year	194,905	60,972	255,877
Due within more than one year	1,493,125	179,242	1,672,367
Total liabilities	2,646,105	682,932	3,329,037
Deferred Inflows of Resources			
Unavailable revenue - property taxes	2,140,798	-	2,140,798
Total deferred inflows of resources	2,140,798	-	2,140,798
Net Position			
Net investment in capital assets	36,960,653	2,251,364	39,212,017
Restricted for:			
Capital purposes	296,726	-	296,726
Other purposes	1,077,481	-	1,077,481
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	1,440	-	1,440
Unrestricted	6,665,707	3,498,352	10,164,059
Total net position	\$ 45,052,007	\$ 5,749,716	\$ 50,801,723

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Activities

For the Year Ended December 31, 2013

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Security of persons and property	\$ 5,286,908	\$ 281,502	\$ -	\$ (5,005,406)	\$ -	\$ (5,005,406)
Public health services	116,752	28,581	-	(88,171)	-	(88,171)
Leisure time activities	992,176	488,630	10,635	(492,911)	-	(492,911)
Community environment	1,715,903	1,135,352	-	(580,551)	-	(580,551)
Transportation	900,359	-	-	(900,359)	-	(900,359)
General government	2,622,063	294,767	-	(2,327,296)	-	(2,327,296)
Public works	1,656,463	-	-	(1,656,463)	-	(1,656,463)
Interest on long-term debt	21,814	-	-	(21,814)	-	(21,814)
Total governmental activities	\$ 13,312,438	\$ 2,228,832	\$ 10,635	(11,072,971)	-	(11,072,971)
Business-type activities:						
Water	888,982	916,958	-	-	27,976	27,976
Sewer	1,415,252	1,526,641	-	-	111,389	111,389
Stormwater	240,023	288,705	-	-	48,682	48,682
Total business-type activities	2,544,257	2,732,304	-	-	188,047	188,047
Total	\$ 15,856,695	\$ 4,961,136	\$ 10,635	(11,072,971)	188,047	(10,884,924)
General revenues:						
Taxes:						
Income taxes				6,221,142	-	6,221,142
Property taxes levied for:						
General purposes				1,398,233	-	1,398,233
Police and fire pension				79,771	-	79,771
Grants and contributions not restricted to specific programs				3,089,490	-	3,089,490
Investment earnings				4,761	1,181	5,942
Miscellaneous				129,888	8,846	138,734
Total general revenues				10,923,285	10,027	10,933,312
Change in net position				(149,686)	198,074	48,388
Net position, beginning of year				45,201,693	5,551,642	50,753,335
Net position, end of year				\$ 45,052,007	\$ 5,749,716	\$ 50,801,723

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 5,511,660	\$ 457,320	\$ 2,260,503	\$ 8,229,483
Cash in segregated accounts	7,321	-	1,092	8,413
Receivables:				
Property taxes	2,097,512	-	72,747	2,170,259
Income taxes	2,200,736	-	-	2,200,736
Accounts	159,909	-	13,928	173,837
Special assessments	25,618	-	129,333	154,951
Interest	3,595	-	331	3,926
Intergovernmental	309,533	-	208,117	517,650
Prepaid expenses	23,157	-	8,093	31,250
Inventory	21,935	-	26,080	48,015
Total assets	10,360,976	457,320	2,720,224	13,538,520
Liabilities				
Accounts payable	14,359	187	4,999	19,545
Contracts payable	7,928	25,374	15,238	48,540
Accrued wages payable	233,281	-	21,744	255,025
Intergovernmental payable	327,906	-	28,012	355,918
Unearned revenue - income tax credits	259,924	-	-	259,924
Total liabilities	843,398	25,561	69,993	938,952
Deferred Inflows of Resources				
Unavailable revenue - income taxes	1,339,992	-	-	1,339,992
Unavailable revenue - property taxes	2,097,512	-	72,747	2,170,259
Unavailable revenue - other	370,880	-	317,133	688,013
Total deferred inflows of resources	3,808,384	-	389,880	4,198,264
Fund Balances				
Nonspendable:				
Prepaid expenses and inventory	45,092	-	34,173	79,265
Unclaimed monies	13,615	-	-	13,615
Permanent Funds - Bullock Endowment	-	-	50,000	50,000
Restricted:				
Security of persons and property	-	-	566,458	566,458
Public health services	-	-	27,984	27,984
Leisure time activities	-	-	399,237	399,237
Community environment	-	-	1,440	1,440
Transportation	-	-	649,693	649,693
Municipal court activities	-	-	122,543	122,543
Committed:				
Capital projects fund	3,105,725	431,759	408,823	3,946,307
Assigned:				
General government	33,744	-	-	33,744
Unassigned:				
General fund	2,511,018	-	-	2,511,018
Total fund balances	5,709,194	431,759	2,260,351	8,401,304
Total liabilities, deferred inflows of resources and fund balances	\$ 10,360,976	\$ 457,320	\$ 2,720,224	\$ 13,538,520

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2013

Fund balance - total governmental funds		\$ 8,401,304
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.		33,153,544
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:		
Property and other taxes	29,461	
Income taxes	1,339,992	
Intergovernmental	472,701	
Special assessments	154,951	
Charges for services	59,248	
Interest	<u>1,113</u>	
		2,057,466
Internal service funds are used to charge the costs of certain activities such as providing insurance as well as the service center to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		3,890,787
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.		(810,268)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Police and fire pension	(502,628)	
Compensated absences payable	<u>(1,138,198)</u>	
		<u>(1,640,826)</u>
Net position of governmental activities		<u>\$ 45,052,007</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Income taxes	\$ 6,179,728	\$ -	\$ -	\$ 6,179,728
Property taxes	1,320,334	-	147,218	1,467,552
Intergovernmental	2,523,846	-	422,288	2,946,134
Charges for services	1,844,530	-	68,136	1,912,666
Fines, licenses and permits	131,880	-	47,029	178,909
Special assessments	14,805	-	123,033	137,838
Investment earnings	7,211	-	5,590	12,801
Donations	2,820	-	10,635	13,455
Miscellaneous	122,147	-	7,741	129,888
Total revenues	12,147,301	-	831,670	12,978,971
Expenditures				
Security of persons and property	4,929,932	-	231,842	5,161,774
Public health services	-	-	115,888	115,888
Leisure time activities	897,950	-	80,538	978,488
Community environment	1,597,869	-	-	1,597,869
Transportation	-	-	812,950	812,950
General government	1,983,588	-	8,052	1,991,640
Capital outlay	-	946,751	222,498	1,169,249
Debt service:				
Principal retirement	-	-	14,128	14,128
Interest and fiscal charges	-	-	21,814	21,814
Total expenditures	9,409,339	946,751	1,507,710	11,863,800
Excess of revenues over (under) expenditures	2,737,962	(946,751)	(676,040)	1,115,171
Other financing sources (uses)				
Transfers in	-	450,708	662,779	1,113,487
Transfers out	(1,113,487)	-	-	(1,113,487)
Total other financing sources (uses)	(1,113,487)	450,708	662,779	-
Net change in fund balance	1,624,475	(496,043)	(13,261)	1,115,171
Fund balance, beginning of year	4,084,719	927,802	2,273,612	7,286,133
Fund balance, end of year	\$ 5,709,194	\$ 431,759	\$ 2,260,351	\$ 8,401,304

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2013

Net change in fund balances - total governmental funds	\$	1,115,171
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	115,625	
Current year depreciation	<u>(1,348,124)</u>	
		(1,232,499)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		183,781
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		14,128
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.		(294,587)
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>64,320</u>
Change in net position of governmental activities	\$	<u>(149,686)</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2013

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 1,651,446	\$ 1,214,638	\$ 58,043	\$ 2,924,127	\$ 133,235
Receivables:					
Accounts	72,035	181,797	35,387	289,219	2,392
Special assessments	33,602	35,982	-	69,584	-
Interest	788	521	-	1,309	-
Prepaid expenses	2,079	1,547	42	3,668	386
Inventory	17,907	555	-	18,462	13,992
Total current assets	1,777,857	1,435,040	93,472	3,306,369	150,005
Noncurrent assets:					
Nondepreciable capital assets	283,820	-	-	283,820	25,840
Depreciable capital assets (net of accumulated depreciation)	1,028,529	1,003,662	-	2,032,191	3,781,269
Total noncurrent assets	1,312,349	1,003,662	-	2,316,011	3,807,109
Total assets	3,090,206	2,438,702	93,472	5,622,380	3,957,114
Liabilities					
Current Liabilities:					
Accounts payable	3,425	92,361	2,950	98,736	1,142
Contracts payable	5,248	551	275	6,074	908
Accrued wages payable	17,204	10,861	5,858	33,923	7,398
Intergovernmental payable	19,790	278,128	6,067	303,985	9,675
OPWC loan payable	-	25,859	-	25,859	-
Compensated absences payable	18,113	11,072	5,928	35,113	9,441
Total current liabilities	63,780	418,832	21,078	503,690	28,564
Noncurrent liabilities:					
Compensated absences payable	72,453	44,289	23,712	140,454	37,763
OPWC loan payable	-	38,788	-	38,788	-
Total noncurrent liabilities	72,453	83,077	23,712	179,242	37,763
Total liabilities	136,233	501,909	44,790	682,932	66,327
Net Position					
Net investment in capital assets	1,312,349	939,015	-	2,251,364	3,807,109
Unrestricted	1,641,624	997,778	48,682	2,688,084	83,678
Total net position	\$ 2,953,973	\$ 1,936,793	\$ 48,682	\$ 4,939,448	\$ 3,890,787
				\$ 810,268	
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds				4,939,448	
Total net position from above				\$ 5,749,716	

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Funds - For the Year Ended December 31, 2013

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<i>Operating Revenues</i>					
Charges for services	\$ 887,932	\$ 1,484,240	\$ 288,705	\$ 2,660,877	\$ 657,377
Fines, licenses and permits	860	150	-	1,010	-
Special assessments	28,167	42,250	-	70,417	-
Miscellaneous	6,219	2,627	-	8,846	125
Total operating revenues	<u>923,178</u>	<u>1,529,267</u>	<u>288,705</u>	<u>2,741,150</u>	<u>657,502</u>
<i>Operating Expenses</i>					
Personnel services	523,148	330,501	187,806	1,041,455	262,248
Contractual services	313,098	1,051,270	40,553	1,404,921	68,737
Supplies and materials	105,993	5,138	11,630	122,761	300,055
Claims	-	-	-	-	12,957
Miscellaneous	285	-	34	319	20
Depreciation	60,510	28,343	-	88,853	194,019
Total operating expenses	<u>1,003,034</u>	<u>1,415,252</u>	<u>240,023</u>	<u>2,658,309</u>	<u>838,036</u>
Operating income (loss)	<u>(79,856)</u>	<u>114,015</u>	<u>48,682</u>	<u>82,841</u>	<u>(180,534)</u>
<i>Non-operating revenues</i>					
Investment earnings	545	636	-	1,181	-
Change in net position	(79,311)	114,651	48,682	84,022	(180,534)
Net position, beginning of year	<u>3,033,284</u>	<u>1,822,142</u>	<u>-</u>		<u>4,071,321</u>
Net position, end of year	<u>\$ 2,953,973</u>	<u>\$ 1,936,793</u>	<u>\$ 48,682</u>		<u>\$ 3,890,787</u>
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	<u>114,052</u>
				Change in net position of business-type activities	<u>\$ 198,074</u>

CITY OF OAKWOOD, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2013

	Enterprise Funds				Internal Service Fund
	Water	Sewer	Stormwater	Total	
<i>Cash flows from operating activities</i>					
Cash received from customers	\$ 924,268	\$ 1,484,037	\$ 253,318	\$ 2,661,623	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	654,985
Cash received from other sources	7,267	45,290	-	52,557	225
Cash payments for employee services and benefits	(509,504)	(324,491)	(146,284)	(980,279)	(272,108)
Cash payments for insurance claims	-	-	-	-	(12,957)
Cash payments to suppliers for goods and services	(439,942)	(899,154)	(48,957)	(1,388,053)	(383,717)
Cash payments for other operating expenses	(285)	-	(34)	(319)	(20)
Net cash provided (used) by operating activities	(18,196)	305,682	58,043	345,529	(13,592)
<i>Cash flows from capital and related financing activities</i>					
Acquisition of capital assets	(15,973)	(16,827)	-	(32,800)	-
Principal paid on notes	-	(25,859)	-	(25,859)	-
Net cash used for capital and related financing activities	(15,973)	(42,686)	-	(58,659)	-
<i>Cash flows from investing activities</i>					
Market gain (loss) on investments	(7,395)	(4,890)	-	(12,285)	-
Proceeds from earnings on investments	7,940	5,526	-	13,466	-
Net cash provided by investing activities	545	636	-	1,181	-
Net increase (decrease) in cash and investments	(33,624)	263,632	58,043	288,051	(13,592)
Equity in pooled cash and investments, beginning of year	1,685,070	951,006	-	2,636,076	146,827
Equity in pooled cash and investments, end of year	\$ 1,651,446	\$ 1,214,638	\$ 58,043	\$ 2,924,127	\$ 133,235
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating income (loss)	\$ (79,856)	\$ 114,015	\$ 48,682	\$ 82,841	\$ (180,534)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	60,510	28,343	-	88,853	194,019
Changes in assets and liabilities:					
Accounts receivable	8,357	(165)	(35,387)	(27,195)	(2,292)
Prepaid expenses	(26)	(24)	(42)	(92)	(1)
Inventory	(11,645)	(162)	-	(11,807)	(6,293)
Accounts payable	(10,897)	92,275	2,950	84,328	(9,553)
Contracts payable	4,616	(46)	275	4,845	(606)
Accrued wages payable	2,122	1,552	5,858	9,532	(3,695)
Intergovernmental payable	(595)	67,711	6,067	73,183	(1,670)
Compensated absences payable	9,218	2,183	29,640	41,041	(2,967)
Net cash provided (used) by operating activities	\$ (18,196)	\$ 305,682	\$ 58,043	\$ 345,529	\$ (13,592)

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Description of Government-wide Financial Statements

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Additionally, the City reports the following fund types:

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

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

Measurement Focus and Basis of Accounting

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Equity in Pooled Cash and Investments

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

Receivables

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

Prepaid Items

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

Long-Term Obligations

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

Capital Assets

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Machinery, vehicles and equipment	5-20 years
Buildings and improvements	10-50 years
Infrastructure	15-50 years

Compensated Absences

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

Fund Balance Classifications

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

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

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption or amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as the purchase of fixed assets, construction, or for other purposes.)

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 \$1,425,647 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 Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayment from funds responsible for particular expenditures/expense to funds that initially paid for them are not presented on the financial statements.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – POOLED CASH AND INVESTMENTS

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

Investment earnings are distributed to the funds according to charter and statutory requirements. Investment earnings reported in the statement of activities for 2013 amounted to \$5,942. This amount includes a decrease of \$49,138 to reflect the market value of the City's investments at December 31, 2013.

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

Public depositories must give security for all public funds on deposit. According to the City's Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 105 percent of the total value of public monies on deposit at the institution.

Deposits: At year end, the carrying amount of the City's cash on hand was \$1,375, the City's deposits were \$3,870,057 and the bank balance was \$4,032,089. Of the bank balance, \$1,303,518 was covered by federal deposit insurance; the remaining \$2,728,571 of the City's bank balance was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name, per Ohio Revised Code Section 135.181. The City has no deposit policy for custodial credit risk.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

	Fair Value	Investment Maturities (in Years)		
		Less than One Year	One to Five Years	Five to Seven Years
Federal Home Loan Bank	\$ 7,449,635	\$ -	\$ 7,449,635	\$ -
Total	\$ 7,449,635	\$ -	\$ 7,449,635	\$ -

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 3 – RECEIVABLES AND PAYABLES

Income Tax

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

Property Taxes

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

Real property taxes are levied each December 31st on the assessed value listed as of the prior December 31st. Assessed values are established by State law at 35% of true value. Property market values are required to be updated every three years and revalued every six years. Property values were revalued in 2008 and updated in 2011.

The property tax calendar is as follows:

Levy date	December 31, 2012
Lien date	December 31, 2012
Tax bill mailed	January 20, 2013
First installment payment due	February 15, 2013
Second installment payment due	July 19, 2013

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

	<u>Assessed Value</u>
Real Estate	\$297,361,440
Tangible Personal Property	<u>1,788,500</u>
Total	<u>\$299,149,940</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, 2013

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, 2013 were:

	Governmental Funds	
	Receivables	Deferred Inflows of Resources
Property taxes	\$ 2,170,259	\$ 2,170,259
Income taxes	2,200,736	1,339,992
Accounts receivable	173,837	59,247
Special assessments	154,951	154,951
Interest	3,926	1,114
Intergovernmental	517,650	472,701
	\$ 5,221,359	\$ 4,198,264

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, 2013 were:

Governmental Funds Payables	
Accounts payable	\$ 19,545
Contracts payable	48,540
Accrued wages	255,025
Intergovernmental	355,918
	\$ 679,028

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, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i><u>Governmental Activities</u></i>				
Non-depreciable capital assets:				
Land	\$ 4,672,504	\$ -	\$ -	\$ 4,672,504
Depreciable capital assets:				
Buildings	14,862,914	-	-	14,862,914
Land Improvements	2,749,861	50,222	-	2,800,083
Equipment	2,416,981	59,003	(38,482)	2,437,502
Vehicles	2,638,304	-	(42,887)	2,595,417
Infrastructure	33,744,072	6,400	-	33,750,472
Depreciable capital assets	<u>56,412,132</u>	<u>115,625</u>	<u>(81,369)</u>	<u>56,446,388</u>
Less accumulated depreciation:				
Buildings	(4,500,021)	(480,000)	-	(4,980,021)
Land Improvements	(1,407,736)	(84,826)	-	(1,492,562)
Equipment	(2,003,150)	(125,439)	38,482	(2,090,107)
Vehicles	(2,217,403)	(133,438)	42,887	(2,307,954)
Infrastructure	(12,569,155)	(718,440)	-	(13,287,595)
Accumulated depreciation	<u>(22,697,465)</u>	<u>(1,542,143)</u>	<u>81,369</u>	<u>(24,158,239)</u>
Depreciable capital assets, net	<u>33,714,667</u>	<u>(1,426,518)</u>	<u>-</u>	<u>32,288,149</u>
Governmental activities capital assets, net	<u>\$ 38,387,171</u>	<u>\$ (1,426,518)</u>	<u>\$ -</u>	<u>\$ 36,960,653</u>

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 602,839
General government	618,007
Security of persons and property	77,473
Community environment	43,673
Leisure time activities	6,132
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>194,019</u>
Total depreciation expense - governmental activities	<u>\$ 1,542,143</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Business-type Activities</i>				
Non-depreciable capital assets:				
Land	\$ 283,820	\$ -	\$ -	\$ 283,820
Depreciable capital assets:				
Buildings	815,840	-	-	815,840
Land Improvements	188,534	-	-	188,534
Equipment	2,566,511	32,800	-	2,599,311
Vehicles	383,125	-	(5,238)	377,887
Infrastructure	4,686,447	-	-	4,686,447
Depreciable capital assets	<u>8,640,457</u>	<u>32,800</u>	<u>(5,238)</u>	<u>8,668,019</u>
Less accumulated depreciation:				
Buildings	(446,115)	(19,854)	-	(465,969)
Land Improvements	(127,721)	(5,327)	-	(133,048)
Equipment	(2,548,000)	(5,238)	-	(2,553,238)
Vehicles	(374,225)	(5,396)	5,238	(374,383)
Infrastructure	<u>(3,056,152)</u>	<u>(53,038)</u>	<u>-</u>	<u>(3,109,190)</u>
Accumulated depreciation	(6,552,213)	(88,853)	5,238	(6,635,828)
Depreciable capital assets, net	<u>2,088,244</u>	<u>(56,053)</u>	<u>-</u>	<u>2,032,191</u>
Business-type Activities capital assets, net	<u>\$ 2,372,064</u>	<u>\$ (56,053)</u>	<u>\$ -</u>	<u>\$ 2,316,011</u>

NOTE 5 – DEFINED BENEFIT PENSION PLANS

Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Ohio Police and Fire Pension Fund (OP&F) or the Ohio Public Employees Retirement System of Ohio (OPERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Ohio Public Employees Retirement System

The City of Oakwood participates in the Ohio Public Employees Retirement System of Ohio (OPERS), which administers three separate pension plans; the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CO). The TP is a cost sharing, multiple-employer defined benefit pension plan. The MD is a defined contribution plan in which the member invests both employee and employer contributions (employer contributions vested over five years at 20 percent per year), and members accumulate retirement assets equal to the

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

value of member and (vested) employer contribution plus any investment earnings. The CO is a cost sharing, multiple-employer defined benefit plan where employer contributions are invested by OPERS to provide a formula retirement benefit similar to the TP benefit, but the member contribution is self-directed by the members and accumulate retirement assets in a manner similar to the MD.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO Plans. Members of the MD do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. The 2013 member contribution rate was 10.0% and the City's contribution rate was 14.0% of covered payroll. The City's required contributions to the plans for the years ending December 31, 2013, 2012 and 2011 were \$554,821, \$583,101, and \$554,906, respectively. Total contributions for 2013 represented 88.5% of required contributions for the year, with 100% being contributed for 2012 and 2011.

Ohio Police and Fire Pension Fund

The City of Oakwood contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan member and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by visiting <https://www.op-f.org> or by writing OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

From January 1, 2013 thru July 14, 2013 plan members were required to contribute 10.0% of their annual covered salary. From July 15, 2013 thru December 31, 2013, plan members were required to contribute 10.75% of their annual salary. Throughout 2013, employers were required to contribute 19.5% for the City's safety officers. The City's contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 were \$558,420, \$620,254 and \$618,746, respectively. Total contributions for 2013 represented 88.9% of required contributions for the year, with 100% being contributed for 2012 and 2011.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

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

Ohio Public Employees Retirement System

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

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

OPERS post-employment healthcare plan was established and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment healthcare benefits. For Traditional Plan members in 2013, the employer contribution allocated to the health care plan was 1.0% of covered payroll. For Combined Plan members in 2013, the employer contribution allocated to the health care plan was 1.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions allocated to fund post-employment benefits for 2013, 2012 and 2011 were \$39,614, \$166,600 and \$158,537 respectively, equal to the required contributions. Changes to the health care plan were adopted in 2012 with a transition plan beginning in 2014. Because of these changes and the

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Ohio Police and Fire Pension Fund

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

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OP&F. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5%. The ORC states that the employer contribution may not exceed 19.5% of covered payroll. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code section 115 trust accounts and one for Medicare Plan B reimbursements administered as an IRS code section 401(h) account, both of which are within the defined benefit pension plan, under authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or surviving beneficiaries. Payment amounts vary depending upon the number of covered dependents and the coverage selected. City contributions allocated to fund post-employment benefits for 2013, 2012 and 2011 were \$82,400, \$214,703 and \$136,743, respectively, equal to the required contributions for the year.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by visiting <https://www.op-f.org> or by writing OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Other Employee Benefits:

Compensated Absences:

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City amounted to \$512,908 at December 31, 2013.

Accumulated Unpaid Sick Leave

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

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

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

The total obligation for the sick leave accrual for the City amounted to \$848,061 at December 31, 2013.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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	\$ 62,326
Capital improvement funds	49,720
Other governmental funds	47,151
Internal Service Funds	8,236
Enterprise Funds	<u>488,731</u>
Total	<u>\$ 656,164</u>

NOTE 8—LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS

Short-term Obligations

In March, 2012 the City issued a general obligation note that matured on March 7, 2013. The proceeds of the note were used to pay the debt service on the \$2.15 million 2007 Capital Facilities Note and the \$2.10 million 2007 Land Acquisition Note. These short-term notes were originally issued to provide financing for the construction of a new public works facility, the renovations to the City’s administration and safety building and the acquisition of land for parks and recreational activities. Interest expense on the notes amounted to \$26,947 for the year ended December 31, 2013.

The following is a summary of the short-term note transactions for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
2012 Various Purpose Notes - 1.125%	\$ 2,402,000	\$ -	\$ 2,402,000	\$ -
	<u>\$ 2,402,000</u>	<u>\$ -</u>	<u>\$ 2,402,000</u>	<u>\$ -</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Long-term Obligations

In 1969, the City entered into an agreement with the State of Ohio to fund the unfunded pension costs associated with police and fire service. The original obligation was \$718,825 and is being repaid through local property tax revenues.

In 1996, the City received an interest free loan through the State of Ohio's Public Works Commission Issue II program in the amount of \$517,177. The proceeds were used to improve the City's sanitary sewer system. Repayment is being made from operating revenues of the sewer fund.

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

The Ohio Revised Code provides that the total net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of a municipal corporation cannot exceed 5.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. As of December 31, 2013, the City had legal debt margin for total debt of \$31,410,744 and a legal debt margin for unvoted debt of \$16,453,247.

The following is a summary of long-term liability activity for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Governmental Activities:</u>					
Police and Fire Pension	\$ 516,756	\$ -	\$ 14,128	\$ 502,628	\$ 14,735
Compensated Absences Payable	1,272,352	394,960	481,910	1,185,402	180,170
Total	\$ 1,789,108	\$ 394,960	\$ 496,038	\$ 1,688,030	\$ 194,905
<u>Business-Type Activities:</u>					
OPWC Loan Payable	\$ 90,506	\$ -	\$ 25,859	\$ 64,647	\$ 25,859
Compensated Absences Payable	134,526	94,587	53,546	175,567	35,113
Total	\$ 225,032	\$ 94,587	\$ 79,405	\$ 240,214	\$ 60,972

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Principal and interest requirements to retire the city’s long-term obligations outstanding at December 31, 2013 were:

Year Ending December 31,	Police and Fire Pension		OPWC Loan Payable	
	Principal	Interest	Principal	Interest
2014	14,735	21,207	25,859	-
2015	15,367	20,574	25,859	-
2016	16,027	19,914	12,929	-
2017	16,716	19,225	-	-
2018	17,434	18,507	-	-
2019-2023	99,066	80,641	-	-
2024-2028	122,248	57,458	-	-
2029-2033	150,856	28,850	-	-
2034-2035	50,179	2,114	-	-
Total	<u>\$ 502,628</u>	<u>\$ 268,490</u>	<u>\$ 64,647</u>	<u>\$ -</u>

NOTE 9 – TRANSFERS

The following is a summary of transfers in and out for all funds in 2013:

Fund	Transfers-in	Transfers-out
General	\$ -	\$ 1,113,487
Capital improvement	\$ 450,708	\$ -
Other governmental	<u>662,779</u>	<u>-</u>
Total transfers	<u>\$ 1,113,487</u>	<u>\$ 1,113,487</u>

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

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City secures general liability, property and automobile coverage through the Ohio Plan Risk Management, Inc. (OPRM). This plan does not operate as a risk pool, but provides insurance protection through reinsurance treaties. The plan retains 50% of the premiums and losses on the first \$250,000 of the casualty treaty and 10% of the first \$1,000,000 property treaty.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 10 – RISK MANAGEMENT (Continued)

The City pays an annual premium to OPRM for this coverage. Insurance will cover up to the limits as stated below:

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

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

The City pays the State Workers' Compensation System a premium based on salaries paid. The City also provides medical, dental, vision and life insurance to all full-time employees. In 2013, 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 \$12,597, \$13,986 and \$8,513 for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 11 – CONTINGENT LIABILITIES

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 adverse effect on the financial position of the City.

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 currently receives a significant amount of estate tax as intergovernmental revenue from the State. Effective January 1, 2013, the State has eliminated the estate tax. It is expected that the loss of this revenue will reduce current fund balance reserves and the City will be looking at ways to compensate for this loss of revenue.



Required Supplementary Information

CITY OF OAKWOOD, OHIO

Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income taxes	\$ 6,200,000	\$ 6,200,000	\$ 6,222,656	\$ 22,656
Property taxes	1,443,000	1,443,000	1,465,691	22,691
Intergovernmental	811,645	811,645	2,482,322	1,670,677
Charges for services	108,725	108,725	118,671	9,946
Fines, licenses and permits	150,300	150,300	132,109	(18,191)
Investment earnings	20,000	20,000	40,358	20,358
Donations	1,700	1,700	1,815	115
Miscellaneous	29,700	29,700	111,627	81,927
Total revenues	<u>8,765,070</u>	<u>8,765,070</u>	<u>10,575,249</u>	<u>1,810,179</u>
Expenditures				
Current:				
Security of persons and property	5,154,170	5,154,170	5,050,857	103,313
Community environment	571,845	571,845	475,344	96,501
General government	2,240,530	2,240,530	2,001,423	239,107
Total expenditures	<u>7,966,545</u>	<u>7,966,545</u>	<u>7,527,624</u>	<u>438,921</u>
Excess of revenues over (under) expenditures	<u>798,525</u>	<u>798,525</u>	<u>3,047,625</u>	<u>2,249,100</u>
Other financing sources (uses)				
Transfers in	2,775,000	2,775,000	2,775,000	-
Transfers out	(2,983,891)	(3,083,891)	(2,297,602)	786,289
Total other financing sources (uses)	<u>(208,891)</u>	<u>(308,891)</u>	<u>477,398</u>	<u>786,289</u>
Net change in fund balance	589,634	489,634	3,525,023	3,035,389
Fund balance, beginning of year	303,573	303,573	303,573	-
Prior Year Encumbrances Appropriated	123,159	123,159	123,159	-
Fund balance, end of year	<u>\$ 1,016,366</u>	<u>\$ 916,366</u>	<u>\$ 3,951,755</u>	<u>\$ 3,035,389</u>

See notes to required supplementary information.

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2013

Note 1 – Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balances – budget (non-GAAP) and actual 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 governmental fund types.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The general fund (GAAP Basis) includes several funds required to be combined as opposed to the general fund (Budget basis) which is just the general fund.

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

Note 2 – Budgetary Process

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

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2013

Note 2 – Budgetary Process (Continued)

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

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

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

Note 3 – Reconciliation of Budget Basis to Governmental GAAP Basis

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

	<u>General Fund</u>
GAAP Basis	\$ 1,624,475
Adjustments:	
Other fund balances included in governmental GAAP basis	2,035,847
Revenue accruals	65,660
Expenditure accruals	(111,451)
Encumbrances	(25,451)
Transfers	<u>(64,057)</u>
Budgetary Basis	<u>\$ 3,525,023</u>



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Montgomery County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 8, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 8, 2014



Dave Yost • Auditor of State

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
OCTOBER 21, 2014**