

CITY OF OAKWOOD
MONTGOMERY COUNTY



REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Oakwood, Ohio

Basic Financial Statements
For the Year Ended December 31, 2020

with

Independent Auditor's Report

Prepared by:

Department of Finance

Cindy S. Stafford, CPA

Director of Finance

OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Oakwood
30 Park Avenue
Oakwood, Ohio 45419

We have reviewed the *Independent Auditor's Report* of the City of Oakwood, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2020 through December 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2021

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CITY OF OAKWOOD, OHIO

CITY OFFICIALS

William D. Duncan, Mayor
Steven Byington, Vice Mayor
Robert P. Stephens
Anne Hilton
Leigh Turben

CITY MANAGER

Norbert S. Klopsch

INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.
Certified Public Accountants

DEPARTMENT OF FINANCE

Staff

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

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**CITY OF OAKWOOD, OHIO
MONTGOMERY COUNTY
FOR THE YEAR ENDED DECEMEBR 31, 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
May 7, 2021

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2020

Our discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2020.

Financial Highlights

- Net position increased by \$1,526,211 or 3.96% and unrestricted net position increased \$1,160,524 or 86.23%.
- Total revenues increased \$1,643,882 or 9.03% and total expenses increased \$4,988,122 or 37.43%.
- The unrestricted net position of the City's governmental activities has a balance of negative \$2,605,595 due primarily to noncurrent liabilities related to net pension and other postemployment benefit (OPEB) liabilities.
- Income taxes increased \$622,919 or 7.71%.
- Total fund balances of governmental activities increased by \$2,566,024 or 18.99%.
- Governmental fund revenues increased \$1,332,093 or 8.95% and governmental fund expenditures decreased \$138,836 or 1.01%.
- The net position of the City's business-type activities increased by \$432,910 or 8.86%.
- Total revenue of business-type activities increased \$232,993 or 6.71% and total expenses increased \$160,688 or 5.16%.
- The General Fund balance increased \$1,875,065 or 20.29%.
- The General Fund revenues increased \$818,226 or 5.98% and expenditures increased \$198,641 or 1.98%.

Using this Annual Financial Report

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities help to answer this question. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2020

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

Custodial Fiduciary Funds

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

The City as a Whole

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 21,101,525	\$ 18,565,729	\$ 4,763,755	\$ 4,468,745	\$ 25,865,280	\$ 23,034,474
Capital assets, net	35,195,879	35,436,177	2,896,480	2,435,980	38,092,359	37,872,157
Total assets	<u>56,297,404</u>	<u>54,001,906</u>	<u>7,660,235</u>	<u>6,904,725</u>	<u>63,957,639</u>	<u>60,906,631</u>
Deferred outflows of resources:						
Pensions	2,113,151	4,623,518	153,032	383,953	2,266,183	5,007,471
Other postemployment benefits	1,375,500	1,021,436	106,150	47,809	1,481,650	1,069,245
Total deferred outflows of resources	<u>3,488,651</u>	<u>5,644,954</u>	<u>259,182</u>	<u>431,762</u>	<u>3,747,833</u>	<u>6,076,716</u>
Current and other liabilities	864,448	915,723	473,281	334,472	1,337,729	1,250,195
Long-term liabilities:						
Due within one year	569,289	609,818	62,005	77,358	631,294	687,176
Due in more than one year	18,430,345	21,512,509	1,752,934	2,007,537	20,183,279	23,520,046
Total liabilities	<u>19,864,082</u>	<u>23,038,050</u>	<u>2,288,220</u>	<u>2,419,367</u>	<u>22,152,302</u>	<u>25,457,417</u>
Deferred inflows of resources:						
Property taxes	2,264,663	2,247,871	-	-	2,264,663	2,247,871
Pensions	1,994,534	348,139	213,202	25,434	2,207,736	373,573
Other postemployment benefits	934,113	377,438	101,234	7,835	1,035,347	385,273
Total deferred inflows of resources	<u>5,193,310</u>	<u>2,973,448</u>	<u>314,436</u>	<u>33,269</u>	<u>5,507,746</u>	<u>3,006,717</u>
Net position:						
Invested in capital assets, net	35,195,879	35,436,177	2,896,480	2,435,980	38,092,359	37,872,157
Restricted	2,138,379	1,992,894	-	-	2,138,379	1,992,894
Unrestricted	(2,605,595)	(3,793,709)	2,420,281	2,447,871	(185,314)	(1,345,838)
Total net position	<u>\$ 34,728,663</u>	<u>\$ 33,635,362</u>	<u>\$ 5,316,761</u>	<u>\$ 4,883,851</u>	<u>\$ 40,045,424</u>	<u>\$ 38,519,213</u>

The largest impacts on the City's financial statements in 2020 and 2019 had absolutely no impact on the City's financial condition; GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension" (OPEB). GASB Statement No. 75 and GASB Statement No. 68 required the City to recognize a liability of \$5.1 million for OPEB and \$14.0 million for pension. For reasons discussed below, these

CITY OF OAKWOOD, OHIO
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For the Year Ended December 31, 2020

liabilities serve only to distort the true financial position of the City. Users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB and the net pension and OPEB liabilities to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB. The resulting net position would be \$58,668,597, which is \$18.6 million more than the net position presented.

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the plans. In Ohio, there is no legal means to enforce the unfunded liabilities of the pension and OPEB system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
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to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

For 2020, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total of \$40.0 million. This represents an increase of 3.96% from the prior year. The unrestricted net position is a negative balance of \$185,314.

Explanations for larger fluctuations between years are as follows:

- Charges for services decreased due to the temporary closure of leisure services activities and limited attendance during the 2020 pool season as a result of the COVID-19 public health emergency.
- Operating grants and contributions and capital grants and contributions increased due to CARES Act funding as a result of the COVID-19 public health emergency.
- Investment earnings decreased due to lower interest rates primarily due to the COVID-19 public health emergency.
- Miscellaneous revenues increased due to Bureau of Workers' Compensation dividends received.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2020

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 2,331,880	\$ 2,583,386	\$ 3,578,377	\$ 3,407,488	\$ 5,910,257	\$ 5,990,874
Operating grants & contributions	1,100,291	558,029	-	-	1,100,291	558,029
Capital grants & contributions	145,178	16,720	-	-	145,178	16,720
General revenues:						
Income taxes	8,675,437	7,964,892	-	-	8,675,437	7,964,892
Property taxes	2,549,163	2,555,244	-	-	2,549,163	2,555,244
Unrestricted grants & contributions	501,591	546,986	-	-	501,591	546,986
Investment earnings	65,708	199,027	14,235	41,574	79,943	240,601
Miscellaneous	768,335	302,410	112,223	22,780	880,558	325,190
Total revenues	<u>16,137,583</u>	<u>14,726,694</u>	<u>3,704,835</u>	<u>3,471,842</u>	<u>19,842,418</u>	<u>18,198,536</u>
Program Expenses						
Security of persons and property	6,801,205	3,283,470	-	-	6,801,205	3,283,470
Public health services	150,897	105,042	-	-	150,897	105,042
Leisure time activities	1,158,656	1,006,947	-	-	1,158,656	1,006,947
Community environment	2,018,010	1,686,647	-	-	2,018,010	1,686,647
Transportation	1,526,868	1,166,772	-	-	1,526,868	1,166,772
General government	2,713,835	2,125,612	-	-	2,713,835	2,125,612
Public works	674,811	824,599	-	-	674,811	824,599
Interest and fiscal charges	-	17,759	-	-	-	17,759
Water	-	-	1,303,082	1,239,383	1,303,082	1,239,383
Sanitary Sewer	-	-	1,626,154	1,510,881	1,626,154	1,510,881
Stormwater	-	-	342,689	360,973	342,689	360,973
Total expenses	<u>15,044,282</u>	<u>10,216,848</u>	<u>3,271,925</u>	<u>3,111,237</u>	<u>18,316,207</u>	<u>13,328,085</u>
Changes in net position	1,093,301	4,509,846	432,910	360,605	1,526,211	4,870,451
Net position, beginning of year	<u>33,635,362</u>	<u>29,125,516</u>	<u>4,883,851</u>	<u>4,523,246</u>	<u>38,519,213</u>	<u>33,648,762</u>
Net position, end of year	<u>\$ 34,728,663</u>	<u>\$ 33,635,362</u>	<u>\$ 5,316,761</u>	<u>\$ 4,883,851</u>	<u>\$ 40,045,424</u>	<u>\$ 38,519,213</u>

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

ANALYSIS OF PROGRAM EXPENSES
GOVERNMENTAL ACTIVITIES

	Total Expense by Function / Program	Percentage of Total Program Expenses	Total Program Revenue	Net Expense of Function	Percentage of Function Financed with General Revenues
Program Expenses					
Security of persons and property	\$ 6,801,205	45.21%	\$ (611,150)	\$ 6,190,055	91.01%
Public health services	150,897	1.00%	(50,025)	100,872	66.85%
Leisure time activities	1,158,656	7.70%	(381,689)	776,967	67.06%
Community environment	2,018,010	13.41%	(1,407,150)	610,860	30.27%
Transportation	1,526,868	10.15%	(682,310)	844,558	55.31%
General government	2,713,835	18.04%	(445,025)	2,268,810	83.60%
Public works	674,811	4.49%	-	674,811	100.00%
	<u>\$ 15,044,282</u>	<u>100.00%</u>	<u>\$ (3,577,349)</u>	<u>\$ 11,466,933</u>	<u>76.22%</u>

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2020

As indicated by the table above, the City is spending more than half of its resources (58.62%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 45.21% of total program expenses, revenues generated by the public safety department cover only 8.99% of functional expenses. This means that general revenues collected by the City, principally income and property taxes, must cover the remaining 91.01% of expenses reported by the public safety department. Refuse collection fees are the most significant program revenue source that helps offset the expenses reported for the community environment functions.

General government functions, principally legislative, administration and judicial activities, comprise 18.04% 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 leisure department accounted for 32.94% of the leisure time activities functional expenses. Normally charges for services and fees for the leisure department cover slightly more than 50.0% of expenditures. The impact of limited attendance at the pool during the summer of 2020 as well as closure of the recreation activities as a result of COVID-19 public health emergency affected leisure department revenues. Expenses associated with street resurfacing, street maintenance, snow removal and operation of the public works department are all included within the transportation function. General revenues comprise 77.83% of the total governmental revenues collected by the City during 2020. Principal components of general revenues; including income taxes (69.06%) and property taxes (20.30%), 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, Sanitary Sewer and Stormwater operations.

Water – The water department at the City of Oakwood is responsible for the production, treatment and delivery of quality water to businesses and citizens within the boundaries of the City. Various functions within the water department include administration, water production, water distribution and maintaining and upgrading the infrastructure used to produce, treat and distribute the water. The water department in 2020 experienced an operating loss of \$1,227, compared to income of \$24,896 in 2019. 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, 2020 the unrestricted net position represented 40.48% of the operating expenses reported for 2020.

Sanitary Sewer – The City's sanitary sewer department is responsible for the collection and disposal of sanitary wastewater generated throughout the City. The City does not treat sanitary wastewater within our City and must

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2020

rely on the City of Dayton and Montgomery County for this service. The cost for this sanitary wastewater treatment service represents about 64% of our sanitary sewer costs. Various functions within the sanitary sewer department include administration, disposal, and maintaining and upgrading infrastructure used in the collection and disposal of sanitary wastewater. The sanitary sewer department recognized operating income of \$316,533 during 2020 as compared to operating income of \$374,996 reported for 2019.

Stormwater – The City's stormwater department is responsible for managing stormwater runoff in a manner consistent with the EPA's National Pollutant Discharge System standards. Citizens are charged a stormwater fee based on their impervious area of developed property. The fund experienced operating income in 2020 of \$141,520 as compared to an operating loss of \$28,707 reported in 2019.

Overall, the City's business-type activities generated \$3.58 million in program revenue during 2020, while program expenses were \$3.27 million. The business-type activities incurred an overall increase in net position of \$432,910. It should be noted that the unrestricted net position of the business-type activities totaled \$2.42 million at the end of 2020. The amount of unrestricted net position for business-type activities reported at December 31, 2020 equaled 73.97% of the total expenses reported for business-type activities for 2020. Management will continue to monitor utility rate charges and necessary adjustments will be made to provide any additional financial resources needed.

The City's Funds

The governmental funds of the City are reported using the modified accrual basis of accounting. These funds had total revenues of \$16.21 million and expenditures of \$13.65 million for 2020. In total, the governmental funds reported a \$2,566,024 increase in total fund balance for the year. In 2019, the fund balance of the City's governmental funds increased by \$1,095,095. The increase in 2020 is primarily the result of the CARE Act grant monies and Bureau of Workers' Compensation dividends received as a result of the COVID-19 public health emergency. 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, 2020 were \$15.77 million, or 115.59% of the total expenditures reported for the governmental funds for 2020.

The City's General Fund realized a \$1,875,065 increase in fund balance during 2020 as compared to the \$1,038,696 increase in 2019. Annually, the General Fund transfers amounts to other funds to cover recreation, street maintenance, state highway and other programs. These transfers also pay for capital improvement projects and construction of capital assets. The General Fund transferred \$2,410,840 to other funds in 2020 as compared to \$2,627,624 to other funds in 2019.

Explanation of the changes in the three enterprise funds of the City, the water, sanitary sewer and stormwater funds, follow the same explanations as those provided in the assessment of the business-type activities noted above since

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2020

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 \$11.51 million as compared to the actual revenues received of \$12.43 million. The City's variances in revenues received were from the following:

- Income tax revenue was \$306,429 more than budget because of the 10% credit reduction factor effective in 2019.
- Miscellaneous revenue is \$570,076 more than budget as a result of \$570,000 rebate/dividend received from workers' compensation.

The budgeted expenditures of the City changed by a total of \$900,000 from the original budget to the final budget in transfers. Additional amounts of \$400,000 and \$500,000 were transferred from the general fund to the Capital Improvement Fund and the Special Projects Fund, respectively. Actual expenditures were \$788,785 less than budgeted expenditures primarily as a result of general fund expenditures being paid for from the CARE Act monies in the Local Coronavirus Fund. For the year ended December 31, 2020 the total actual budgetary change in fund balance for the General Fund was an increase of \$615,722 resulting in a reported \$7,425,915 ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 93.07% of the total budgetary expenditures of the General Fund for 2020.

Capital Assets

At the end of 2020, the City had a total of \$77.93 million invested in capital assets less accumulated depreciation of \$39.84 million resulting in total capital assets, net of accumulated depreciation of \$38.09 million.

During 2020, significant asset additions were as follows:

- Asphalt and concrete street, sidewalk, curb and apron replacement totaling \$517,946;
- Purchase of land on Far Hills Avenue for a future sewer project \$381,313;
- Street Vehicles \$293,091; and
- Safety Vehicles \$83,745.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2020

The following table shows 2020 capital asset balances compared to those of 2019:

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Construction in progress	\$ 72,410	\$ 81,651	\$ -	\$ -	\$ 72,410	\$ 81,651
Land	5,205,477	4,824,164	283,820	283,820	5,489,297	5,107,984
Buildings	6,907,437	7,389,244	313,769	335,190	7,221,206	7,724,434
Land Improvements	1,675,584	1,767,792	53,684	59,761	1,729,268	1,827,553
Equipment	792,700	724,408	341,008	339,209	1,133,708	1,063,617
Vehicles	734,753	403,126	546,843	78,689	1,281,596	481,815
Infrastructure	<u>19,807,518</u>	<u>20,245,792</u>	<u>1,357,356</u>	<u>1,339,311</u>	<u>21,164,874</u>	<u>21,585,103</u>
Total	<u>\$35,195,879</u>	<u>\$35,436,177</u>	<u>\$ 2,896,480</u>	<u>\$ 2,435,980</u>	<u>\$38,092,359</u>	<u>\$37,872,157</u>

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

Contacting the City's Finance Department

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



CITY OF OAKWOOD, OHIO

Statement of Net Position

December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments	\$ 15,489,929	\$ 3,804,859	\$ 19,294,788
Cash in segregated accounts	7,694	-	7,694
Receivables:			
Property taxes	2,275,336	-	2,275,336
Income taxes	2,663,239	-	2,663,239
Accounts	201,936	345,775	547,711
Special assessments	156,873	68,376	225,249
Interest	1,951	502	2,453
Intergovernmental	537,794	-	537,794
Prepaid expenses	150,095	18,854	168,949
Internal balances	(506,956)	506,956	-
Inventory	123,634	18,433	142,067
Nondepreciable capital assets	5,277,887	283,820	5,561,707
Depreciable capital assets (net of accumulated depreciation)	29,917,992	2,612,660	32,530,652
Total assets	\$ 56,297,404	\$ 7,660,235	\$ 63,957,639
Deferred Outflows of Resources			
Pensions	2,113,151	153,032	2,266,183
Other postemployment benefits	1,375,500	106,150	1,481,650
Total deferred outflows of resources	3,488,651	259,182	3,747,833
Liabilities			
Accounts payable	22,699	38,433	61,132
Contracts payable	46,513	73,317	119,830
Accrued wages payable	216,733	60,155	276,888
Intergovernmental payable	181,761	301,376	483,137
Unearned revenue - income tax credits	396,742	-	396,742
Long-term liabilities:			
Due within one year	569,289	62,005	631,294
Due within more than one year			
Net pension liability	13,040,749	978,783	14,019,532
Net other postemployment benefits	4,437,896	670,495	5,108,391
Other amounts	951,700	103,656	1,055,356
Total liabilities	19,864,082	2,288,220	22,152,302
Deferred Inflows of Resources			
Property taxes	2,264,663	-	2,264,663
Pensions	1,994,534	213,202	2,207,736
Other postemployment benefits	934,113	101,234	1,035,347
Total deferred inflows of resources	5,193,310	314,436	5,507,746
Net Position			
Net investment in capital assets	35,195,879	2,896,480	38,092,359
Restricted for:			
Capital purposes	351,647	-	351,647
Other purposes	1,735,239	-	1,735,239
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	1,493	-	1,493
Unrestricted	(2,605,595)	2,420,281	(185,314)
Total net position	\$ 34,728,663	\$ 5,316,761	\$ 40,045,424

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Activities

For the Year Ended December 31, 2020

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Security of persons and property	\$ 6,801,205	\$ 233,007	\$ 358,710	\$ 19,433	\$ (6,190,055)	\$ -	\$ (6,190,055)
Public health services	150,897	43,299	6,726	-	(100,872)	-	(100,872)
Leisure time activities	1,158,656	356,736	24,953	-	(776,967)	-	(776,967)
Community environment	2,018,010	1,406,424	726	-	(610,860)	-	(610,860)
Transportation	1,526,868	-	682,310	-	(844,558)	-	(844,558)
General government	2,713,835	292,414	26,866	125,745	(2,268,810)	-	(2,268,810)
Public works	674,811	-	-	-	(674,811)	-	(674,811)
Total governmental activities	\$ 15,044,282	\$ 2,331,880	\$ 1,100,291	\$ 145,178	(11,466,933)	-	(11,466,933)
Business-type activities:							
Water	1,303,082	1,220,131	-	-	-	(82,951)	(82,951)
Sewer	1,626,154	1,924,294	-	-	-	298,140	298,140
Stormwater	342,689	433,952	-	-	-	91,263	91,263
Total business-type activities	3,271,925	3,578,377	-	-	-	306,452	306,452
Total	\$ 18,316,207	\$ 5,910,257	\$ 1,100,291	\$ 145,178	(11,466,933)	306,452	(11,160,481)
General revenues:							
Taxes:							
Income taxes					8,675,437	-	8,675,437
Property taxes levied for:							
General purposes					2,549,163	-	2,549,163
Grants and contributions not restricted to specific programs							
					501,591	-	501,591
Investment earnings					65,708	14,235	79,943
Miscellaneous					768,335	112,223	880,558
Total general revenues					12,560,234	126,458	12,686,692
Change in net position					1,093,301	432,910	1,526,211
Net position, beginning of year					33,635,362	4,883,851	38,519,213
Net position, end of year					\$ 34,728,663	\$ 5,316,761	\$ 40,045,424

CITY OF OAKWOOD, OHIO

Balance Sheet Governmental Funds December 31, 2020

	General Fund	Health District Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 10,408,819	\$ 133,496	\$ 4,762,060	\$ 15,304,375
Cash in segregated accounts	6,787	-	907	7,694
Receivables:				
Property taxes	2,275,336	-	-	2,275,336
Income taxes	2,663,239	-	-	2,663,239
Accounts	168,377	16	33,543	201,936
Special assessments	25,753	-	131,120	156,873
Interest	1,855	-	96	1,951
Intergovernmental	253,078	-	284,716	537,794
Prepaid expenses	129,472	1,735	16,485	147,692
Inventory	34,107	-	60,931	95,038
Total assets	15,966,823	135,247	5,289,858	21,391,928
Liabilities				
Accounts payable	9,906	25	2,815	12,746
Contracts payable	33,682	-	11,906	45,588
Accrued wages payable	182,741	2,489	26,659	211,889
Intergovernmental payable	163,839	3,456	11,286	178,581
Unearned revenue - income tax credits	396,742	-	-	396,742
Total liabilities	786,910	5,970	52,666	845,546
Deferred Inflows of Resources				
Unavailable revenue - income taxes	1,485,131	-	-	1,485,131
Unavailable revenue - property taxes	2,275,336	-	-	2,275,336
Unavailable revenue - other	302,323	-	401,511	703,834
Total deferred inflows of resources	4,062,790	-	401,511	4,464,301
Fund Balances				
Nonspendable:				
Prepaid expenses and inventory	163,579	1,735	77,416	242,730
Unclaimed monies	15,231	-	-	15,231
Permanent Funds - Bullock Endowment	-	-	50,000	50,000
Restricted:				
Security of persons and property	-	-	544,406	544,406
Public health services	-	127,542	-	127,542
Leisure time activities	-	-	402,323	402,323
Community environment	-	-	1,493	1,493
Transportation	-	-	711,388	711,388
Municipal court activities	-	-	183,768	183,768
Committed:				
Capital projects fund	1,825,196	-	2,864,887	4,690,083
Assigned:				
General government for future appropriations	60,988	-	-	60,988
Unassigned:				
General fund	9,052,129	-	-	9,052,129
Total fund balances	11,117,123	129,277	4,835,681	16,082,081
Total liabilities, deferred inflows of resources and fund balances	\$ 15,966,823	\$ 135,247	\$ 5,289,858	\$ 21,391,928

CITY OF OAKWOOD, OHIO

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2020

Fund balance - total governmental funds		\$ 16,082,081
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		32,639,726
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:		
Property and other taxes	10,673	
Income taxes	1,485,131	
Intergovernmental	473,547	
Special assessments	156,872	
Charges for services	71,530	
Interest	1,885	
		2,199,638
Internal service funds are used to charge the costs of certain activities such as providing insurance as well as the service center to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		2,339,259
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.		(506,956)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Compensated absences payable	(1,499,612)	(1,499,612)
The net pension and other postemployment benefit liabilities other than pension (OPEB) are not due and payable in the current period; therefore, the liabilities and related deferred inflows / outflows are not reported in governmental funds:		
Deferred outflows - pension	2,088,666	
Deferred outflows - OPEB	1,340,201	
Deferred inflows - pension	(1,945,357)	
Deferred inflows - OPEB	(910,762)	
Net pension liability	(12,814,982)	
Net OPEB liability	(4,283,239)	(16,525,473)
Net position of governmental activities		\$ 34,728,663

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, 2020

	General Fund	Health District Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Income taxes	\$ 8,697,817	\$ -	\$ -	\$ 8,697,817
Property taxes	2,444,361	116,289	-	2,560,650
Intergovernmental	560,918	6,727	1,189,524	1,757,169
Charges for services	1,871,188	-	90,745	1,961,933
Fines, licenses and permits	154,287	43,299	17,451	215,037
Special assessments	26,751	-	138,519	165,270
Investment earnings	55,886	-	8,192	64,078
Donations	4,590	-	18,136	22,726
Miscellaneous	682,970	9,450	75,915	768,335
Total revenues	14,498,768	175,765	1,538,482	16,213,015
Expenditures				
Security of persons and property	5,487,097	-	480,797	5,967,894
Public health services	-	135,190	-	135,190
Leisure time activities	932,822	-	86,721	1,019,543
Community environment	1,866,298	-	1,225	1,867,523
Transportation	-	-	1,146,738	1,146,738
General government	1,926,646	-	38,854	1,965,500
Capital outlay	-	-	1,544,603	1,544,603
Total expenditures	10,212,863	135,190	3,298,938	13,646,991
Excess of revenues over (under) expenditures	4,285,905	40,575	(1,760,456)	2,566,024
Other financing sources (uses)				
Transfers in	-	-	2,410,840	2,410,840
Transfers out	(2,410,840)	-	-	(2,410,840)
Total other financing sources (uses)	(2,410,840)	-	2,410,840	-
Net change in fund balance	1,875,065	40,575	650,384	2,566,024
Fund balance, beginning of year	9,242,058	88,702	4,185,297	13,516,057
Fund balance, end of year	\$ 11,117,123	\$ 129,277	\$ 4,835,681	\$ 16,082,081

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, 2020

Net change in fund balances - total governmental funds	\$	2,566,024
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives as depreciation expense:		
Capital asset additions	1,467,049	
Current year depreciation	<u>(1,540,095)</u>	(73,046)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(75,432)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,097,537
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		16,785
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,676,108)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		(471,806)
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.		(154,487)
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>(136,166)</u>
Change in net position of governmental activities	\$	<u>1,093,301</u>

CITY OF OAKWOOD, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2020

	Enterprise Funds				Internal Service Fund
	Water	Sanitary Sewer	Stormwater	Total	
Assets					
Current assets:					
Pooled cash and investments	\$ 1,436,526	\$ 1,961,635	\$ 406,698	\$ 3,804,859	\$ 185,554
Receivables:					
Accounts	97,330	198,878	49,567	345,775	-
Special assessments	25,822	35,979	6,575	68,376	-
Interest	176	276	50	502	-
Prepaid expenses	8,303	6,671	3,880	18,854	2,402
Inventory	14,846	3,587	-	18,433	28,596
Total current assets	1,583,003	2,207,026	466,770	4,256,799	216,552
Noncurrent assets:					
Nondepreciable capital assets	283,820	-	-	283,820	25,840
Depreciable capital assets (net of accumulated depreciation)	1,165,057	1,322,562	125,041	2,612,660	2,530,313
Total noncurrent assets	1,448,877	1,322,562	125,041	2,896,480	2,556,153
Total assets	3,031,880	3,529,588	591,811	7,153,279	2,772,705
Deferred Outflows of Resources					
Pensions	74,793	44,784	33,455	153,032	24,485
Other postemployment benefits	51,880	31,064	23,206	106,150	35,299
Total deferred outflows of resources	126,673	75,848	56,661	259,182	59,784
Liabilities					
Current Liabilities:					
Accounts payable	38,422	11	-	38,433	9,953
Contracts payable	58,113	531	14,673	73,317	925
Accrued wages payable	41,751	14,923	3,481	60,155	4,844
Intergovernmental payable	18,962	279,985	2,429	301,376	3,179
Compensated absences payable	30,418	24,731	6,856	62,005	8,001
Total current liabilities	187,666	320,181	27,439	535,286	26,902
Noncurrent liabilities:					
Net pension liability	478,369	286,437	213,977	978,783	225,767
Net other postemployment benefits	327,696	196,218	146,581	670,495	154,657
Compensated absences payable	50,851	41,343	11,462	103,656	13,376
Total noncurrent liabilities	856,916	523,998	372,020	1,752,934	393,800
Total liabilities	1,044,582	844,179	399,459	2,288,220	420,702
Deferred Inflows of Resources					
Pensions	104,200	62,393	46,609	213,202	49,177
Other postemployment benefits	49,477	29,626	22,131	101,234	23,351
Total deferred inflows of resources	153,677	92,019	68,740	314,436	72,528
Net Position					
Net investment in capital assets	1,448,877	1,322,562	125,041	2,896,480	2,556,153
Unrestricted	511,417	1,346,676	55,232	1,913,325	(216,894)
Total net position	\$ 1,960,294	\$ 2,669,238	\$ 180,273	\$ 4,809,805	\$ 2,339,259
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	\$ 506,956
				Total net position from above	4,809,805
					\$ 5,316,761

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenses and

Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2020

	Enterprise Funds				Internal Service Fund
	Water	Sanitary Sewer	Stormwater	Total	
Operating Revenues					
Charges for services	\$ 1,194,502	\$ 1,881,152	\$ 458,887	\$ 3,534,541	\$ 610,839
Fines, licenses and permits	-	120	-	120	-
Special assessments	25,629	36,712	6,927	69,268	-
Miscellaneous	41,966	24,704	18,394	85,064	51,863
Total operating revenues	1,262,097	1,942,688	484,208	3,688,993	662,702
Operating Expenses					
Personnel services	636,637	397,791	271,984	1,306,412	337,069
Contractual services	336,956	1,181,058	55,371	1,573,385	70,517
Supplies and materials	197,567	1,432	13,534	212,533	241,627
Claims	-	-	-	-	8,821
Miscellaneous	6,611	-	1,000	7,611	186
Depreciation	85,553	45,874	799	132,226	198,727
Total operating expenses	1,263,324	1,626,155	342,688	3,232,167	856,947
Operating income (loss)	(1,227)	316,533	141,520	456,826	(194,245)
Non-operating revenues					
Investment earnings	5,412	8,823	1,607	15,842	-
Change in net position	4,185	325,356	143,127	472,668	(194,245)
Net position, beginning of year	1,956,109	2,343,882	37,146		2,533,504
Net position, end of year	\$ 1,960,294	\$ 2,669,238	\$ 180,273		\$ 2,339,259
				Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	(39,758)
				Change in net position of business-type activities	\$ 432,910

CITY OF OAKWOOD, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2020

	Enterprise Funds				Internal Service Fund
	Water	Sanitary Sewer	Stormwater	Total	
<i>Cash flows from operating activities</i>					
Cash received from customers	\$ 1,220,540	\$ 1,929,563	\$ 455,533	\$ 3,605,636	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	612,370
Cash received from other sources	42,234	24,870	18,495	85,599	21,023
Cash payments for employee services and benefits	(513,477)	(316,520)	(233,898)	(1,063,895)	(267,998)
Cash payments for insurance claims	-	-	-	-	(8,821)
Cash payments to suppliers for goods and services	(463,655)	(1,162,890)	(67,131)	(1,693,676)	(278,234)
Cash payments for other operating expenses	(23)	-	-	(23)	(186)
Net cash provided (used) by operating activities	285,619	475,023	172,999	933,641	78,154
<i>Cash flows from capital and related financing activities</i>					
Acquisition of capital assets	(111,784)	(391,336)	(89,606)	(592,726)	(31,475)
Net cash used for capital and related financing activities	(111,784)	(391,336)	(89,606)	(592,726)	(31,475)
<i>Cash flows from investing activities</i>					
Market gain (loss) on investments	1,195	1,872	340	3,407	-
Proceeds from earnings on investments	4,217	6,951	1,267	12,435	-
Net cash provided by investing activities	5,412	8,823	1,607	15,842	-
Net increase (decrease) in cash and investments	179,247	92,510	85,000	356,757	46,679
Pooled cash and investments, beginning of year	1,257,279	1,869,125	321,698	3,448,102	138,875
Pooled cash and investments, end of year	\$ 1,436,526	\$ 1,961,635	\$ 406,698	\$ 3,804,859	\$ 185,554
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>					
Operating income (loss)	\$ (1,227)	\$ 316,533	\$ 141,520	\$ 456,826	\$ (194,245)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	85,553	45,874	799	132,226	198,727
Loss on disposal of equipment	-	-	-	-	-
Changes in assets and liabilities:					
Accounts receivable	1,755	13,116	(9,935)	4,936	2,166
Prepaid expenses	780	(71)	246	955	488
Inventory	19,118	(3,020)	-	16,098	736
Deferred outflows of resources - pension and OPEB	83,733	51,281	37,566	172,580	35,006
Accounts payable	(1,357)	11	(10,070)	(11,416)	1,572
Contracts payable	57,467	54	14,439	71,960	308
Accrued wages payable	33,095	9,706	(522)	42,279	987
Intergovernmental payable	11,161	25,346	(521)	35,986	494
Net pension and OPEB liability	(124,682)	(79,710)	(56,262)	(260,654)	(38,885)
Compensated absences payable	(17,242)	13,680	(5,740)	(9,302)	5,576
Deferred inflows of resources - pensions and OPEB	137,465	82,223	61,479	281,167	65,224
Net cash provided (used) by operating activities	\$ 285,619	\$ 475,023	\$ 172,999	\$ 933,641	\$ 78,154

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO
Statement of Fiduciary Net Position
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

		Custodial Funds
<i>Assets</i>		
Pooled cash and investments	\$	7,507
Cash in segregated accounts		15,280
Total assets	\$	22,787
 <i>Net Position</i>		
Restricted for individuals, organizations, and other governments		22,787
Net Position	\$	22,787
 <i>Additions</i>		
Court Receipts	\$	76,802
Permits fees received		1,200
Total additions		78,002
 <i>Deductions</i>		
Municipal court disbursements		79,454
Miscellaneous payments		1,200
Total deductions		80,654
Change in net position		(2,652)
Net position, beginning of year		25,439
Net position, end of year	\$	22,787

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit: City of Oakwood Health District

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Pooled Cash and Investments

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

Receivables

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

Inventory

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

Prepaid Items

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

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

Capital Assets

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Fund Balance Classifications

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 5 and 6).

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 \$2,138,379 in restricted net position, none was restricted by enabling legislation.

Estimates

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

Grants and Other Intergovernmental Revenues

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

Interfund Transactions and Transfers

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 – POOLED CASH AND INVESTMENTS

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

Investment earnings are distributed to the funds according to charter and statutory requirements. Investment earnings reported in the statement of activities for 2020 amounted to \$79,943. This amount includes an increase of \$16,601 to reflect the market value of the City's investments at December 31, 2020.

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

Deposits: At year end, the City's bank balance was \$18,687,800. Of the bank balance, \$774,114 was insured by federal deposit insurance; the remaining \$17,913,686 was collateralized through participation in the Ohio Pooled Collateral System (OPCS). Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured. The City has no deposit policy for custodial credit risk beyond the requirements of State statute.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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
Negotiable Certificates of Deposits	\$ 940,325	\$ 230,000	\$ 710,325
Total	\$ 940,325	\$ 230,000	\$ 710,325

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

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

Credit Risk – The City’s investment policy states that investment in corporate entities must have a debt rating of AA or better by Standard & Poors’ or Moody’s rating service.

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

Investment	Percent
Negotiable Certificates of Deposits	100.00%

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 3 – RECEIVABLES AND PAYABLES

Income Tax

The City levies a municipal income tax of two and one-half percent on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City; however, a 100% credit is allowed for income taxes paid to other municipalities prior to December 31, 2017. Effective January 1, 2018, a reduction factor of 0.90% is applied to income taxes paid to other municipalities. Filing is mandatory for all residents of the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible (used in business) personal property located in the City. Real property taxes are levied each December 31st on the assessed value listed as of the prior December 31st. Assessed values are established by State law at 35% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2020.

The property tax calendar is as follows:

Levy date	December 31, 2019
Lien date	December 31, 2019
First installment payment due	February 14, 2020
Second installment payment due*	July 14, 2020
*Extended to August 14 for 2020 only	

The assessed values for the City at December 31, 2019 were as follows:

	<u>Assessed Value</u>
Real Estate	\$329,870,780
Tangible Personal Property	<u>2,912,290</u>
Total	<u>\$332,783,070</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, 2020

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, 2020 were:

	Governmental Funds	
	Receivables	Deferred Inflows of Resources
Property taxes	\$ 2,275,336	\$ 2,275,336
Income taxes	2,663,239	1,485,131
Accounts receivable	201,936	71,529
Special assessments	156,873	156,873
Interest	1,951	1,885
Intergovernmental	<u>537,794</u>	<u>473,547</u>
	<u>\$ 5,837,129</u>	<u>\$ 4,464,301</u>

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

Payables

The balances at December 31, 2020 were:

Governmental Funds Payables	
Accounts payable	\$ 12,746
Contracts payable	45,588
Accrued wages	211,889
Intergovernmental	<u>178,581</u>
	<u>\$ 448,804</u>

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental Activities</i>				
Non-depreciable capital assets:				
Land	\$ 4,824,164	\$ 381,313	\$ -	\$ 5,205,477
Construction in progress	81,651	72,410	(81,651)	72,410
Non-depreciable capital assets	<u>4,905,815</u>	<u>453,723</u>	<u>(81,651)</u>	<u>5,277,887</u>
Depreciable capital assets:				
Buildings	15,310,396	18,885	-	15,329,281
Land Improvements	2,873,545	20,390	-	2,893,935
Equipment	2,743,556	160,263	(259,672)	2,644,147
Vehicles	2,632,675	408,868	(88,146)	2,953,397
Infrastructure	38,223,737	518,046	-	38,741,783
Depreciable capital assets	<u>61,783,909</u>	<u>1,126,452</u>	<u>(347,818)</u>	<u>62,562,543</u>
Less accumulated depreciation:				
Buildings	(7,921,152)	(500,692)	-	(8,421,844)
Land Improvements	(1,105,753)	(112,598)	-	(1,218,351)
Equipment	(2,019,148)	(91,971)	259,672	(1,851,447)
Vehicles	(2,229,549)	(77,241)	88,146	(2,218,644)
Infrastructure	(17,977,945)	(956,320)	-	(18,934,265)
Accumulated depreciation	<u>(31,253,547)</u>	<u>(1,738,822)</u>	<u>347,818</u>	<u>(32,644,551)</u>
Depreciable capital assets, net	<u>30,530,362</u>	<u>(612,370)</u>	<u>-</u>	<u>29,917,992</u>
Governmental activities capital assets, net	<u>\$ 35,436,177</u>	<u>\$ (158,647)</u>	<u>\$ (81,651)</u>	<u>\$ 35,195,879</u>

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 596,699
General government	534,495
Security of persons and property	67,765
Community environment	41,837
Transportation	242,127
Leisure time activities	57,172
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>198,727</u>
Total depreciation expense - governmental activities	<u>\$ 1,738,822</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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	963,952	-	-	963,952
Land Improvements	165,034	-	-	165,034
Equipment	3,049,893	43,077	(99,617)	2,993,353
Vehicles	390,665	480,941	-	871,606
Infrastructure	4,750,102	68,708	-	4,818,810
Depreciable capital assets	<u>9,319,646</u>	<u>592,726</u>	<u>(99,617)</u>	<u>9,812,755</u>
Less accumulated depreciation:				
Buildings	(628,762)	(21,421)	-	(650,183)
Land Improvements	(105,273)	(6,077)	-	(111,350)
Equipment	(2,710,684)	(41,278)	99,617	(2,652,345)
Vehicles	(311,976)	(12,787)	-	(324,763)
Infrastructure	(3,410,791)	(50,663)	-	(3,461,454)
Accumulated depreciation	<u>(7,167,486)</u>	<u>(132,226)</u>	<u>99,617</u>	<u>(7,200,095)</u>
Depreciable capital assets, net	<u>2,152,160</u>	<u>460,500</u>	<u>-</u>	<u>2,612,660</u>
Business-type Activities capital assets, net	<u>\$ 2,435,980</u>	<u>\$ 460,500</u>	<u>\$ -</u>	<u>\$ 2,896,480</u>

NOTE 5 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Ohio Public Employees Retirement System (OPERS)

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	<u>State and Local</u>
2020 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee (a)	10.00%
2020 Actual Contribution Rates	
Employer:	
Pension (b)	14.00%
Post-employment Health Care Benefits (b)	<u>0.00%</u>
Total Employer	<u>14.00%</u>
 Employee	 <u>10.00%</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

- (a) Member contributions within the combined plan are not used to fund the defined benefit retirement allowances.
- (b) These pension and employer health care rates are for traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4% for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2020, the City's contractually required contribution was \$583,657, of this amount \$75,706 is reported as an intergovernmental payable.

Ohio Police & Fire Pension Fund (OP&F)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50 percent for each of the first 20 years of service credit, 2.00 percent for each of the next five years of service credit and 1.50 percent for each year of service credit in excess of 25 years. The maximum pension of 72.00 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12-month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	<u>Public Safety Officers</u>
2020 Statutory Maximum Contribution Rates	
Employer	19.50%
Employee	12.25%
2020 Actual Contribution Rates	
Employer:	
Pension	19.00%
Post-employment Health Care Benefits	<u>0.50%</u>
Total Employer	<u>19.50%</u>
Employee	<u>12.25%</u>

Employer contributions are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$637,849 for 2020. Of this amount \$86,700 is reported as an intergovernmental payable.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the Net Pension Liability	\$ 5,669,982	\$ 8,349,550	\$ 14,019,532
Proportion of the Net Pension Liability Current Measurement Date	0.0286860%	0.1239443%	
Proportion of the Net Pension Liability Prior Measurement Date	<u>0.0287560%</u>	<u>0.1221710%</u>	
Change in Proportionate Share	-0.0000700%	0.0017733%	
Pension Expense	\$ 897,989	\$ 1,070,432	\$ 1,968,421

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of resources:			
Differences between expected and actual experience	\$ -	\$ 316,057	\$ 316,057
Changes in assumptions	302,842	204,960	507,802
Changes in employer proportionate share of net pension liability	-	220,818	220,818
Contributions subsequent to the measurement date	<u>583,657</u>	<u>637,849</u>	<u>1,221,506</u>
Total Deferred Outflows of Resources	<u>\$ 886,499</u>	<u>\$ 1,379,684</u>	<u>\$ 2,266,183</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Inflows of resources:			
Differences between expected and actual experience	\$ 71,689	\$ 430,620	\$ 502,309
Net difference between projected and actual earnings on pension plan investments	1,131,034	403,351	1,534,385
Changes in employer proportionate share of net pension liability	<u>32,330</u>	<u>138,712</u>	<u>171,042</u>
Total Deferred Inflows of Resources	<u>\$ 1,235,053</u>	<u>\$ 972,683</u>	<u>\$ 2,207,736</u>

\$1,221,506 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		
<u>Year Ending December 31:</u>	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
2021	\$ (161,377)	\$ (76,863)	\$ (238,240)
2022	(368,573)	(15,037)	(383,610)
2023	46,836	224,063	270,899
2024	(449,096)	(334,381)	(783,477)
2025	-	(28,630)	(28,630)
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (932,210)</u>	<u>\$ (230,848)</u>	<u>\$ (1,163,058)</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Statement No. 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

	OPERS <u>Traditional Plan</u>
Wage Inflation	3.25%
Projected Salary Increases,	3.25% - 10.75%
	(including wage inflation at 3.25%)
COLA or Ad Hoc COLA:	
Pre 1/7/2013 Retirees	3.00% Simple
Post 1/7/2013 Retirees	1.40% Simple through 2020 then 2.15% Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other investments	<u>13.00%</u>	4.98%
 Total	 <u>100.00%</u>	 5.61%

Discount Rate – The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.20%)</u>	<u>(7.20%)</u>	<u>(8.20%)</u>
Proportionate share of the net pension liability	\$ 9,351,636	\$ 5,669,982	\$ 2,360,284

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date – There were no recent significant changes of pension benefit terms, health care plans, investment policies, the size or composition of the population covered by the benefit terms and health care plans impacting the actuarial valuation studies for pension and health care for the measurement date of December 31, 2019.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Salary Increases	3.75% - 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost-of-Living Adjustments	3.00% Simple; 2.20% simple for increases based on the lessor of the increase in CPI and 3.00%

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2019, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	<u>12.00%</u>	6.40%
Total	<u>120.00%</u>	

Note: Assumptions are geometric
* Levered 2x

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

Discount Rate – Total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to be available to make all future benefit payment of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Proportionate share of the net pension liability	\$ 11,572,186	\$ 8,349,550	\$ 5,654,135

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

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

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

Ohio Public Employees Retirement System OPEB

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB No. Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Ohio Police and Fire Pension Fund OPEB

Health Care Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$16,785 for 2020, of this amount \$ 436 is included as an intergovernmental payable.

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

Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the Net OPEB Liability	\$ 3,884,103	\$ 1,224,288	\$ 5,108,391
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02812000%	0.12394430%	
Prior Measurement Date	<u>0.02832100%</u>	<u>0.12217100%</u>	
Change in Proportionate Share	-0.00020100%	0.00177330%	
OPEB Expense	\$ 405,343	\$ 152,558	\$ 557,901

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of resources:			
Differences between expected and actual experience	\$ 104	\$ -	\$ 104
Changes in assumptions	614,812	715,766	1,330,578
Changes in employer proportionate share of net OPEB liability	-	134,183	134,183
Contributions subsequent to the measurement date	-	16,785	16,785
Total Deferred Outflows of Resources	<u>\$ 614,916</u>	<u>\$ 866,734</u>	<u>\$ 1,481,650</u>
Deferred Inflows of resources:			
Differences between expected and actual experience	\$ 355,219	\$ 131,660	\$ 486,879
Changes in assumptions	-	260,914	260,914
Net difference between projected and actual earnings on OPEB plan investments	197,777	56,338	254,115
Changes in employer proportionate share of net OPEB liability	33,439	-	33,439
Total Deferred Inflows of Resources	<u>\$ 586,435</u>	<u>\$ 448,912</u>	<u>\$ 1,035,347</u>

\$16,785 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS		
<u>Year Ending December 31:</u>	<u>Traditional Plan</u>	<u>OP&F</u>	<u>Total</u>
2021	\$ 72,919	\$ 74,219	\$ 147,138
2022	39,917	74,219	114,136
2023	157	85,775	85,932
2024	(84,512)	89,321	4,809
2025	-	51,331	51,331
Thereafter	-	26,172	26,172
Total	<u>\$ 28,481</u>	<u>\$ 401,037</u>	<u>\$ 429,518</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% - 10.75% (including wage inflation)
Single Discount Rate:	
Current Measurement Date	3.16%
Prior Measurement Date	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current Measurement Date	2.75%
Prior Measurement Date	3.71%
Health Care Cost Trend Rate:	
Current Measurement Date	10.50% initial, 3.50% ultimate in 2030
Prior Measurement Date	10.00% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age, Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
Real Estate Investment Trust	6.00%	5.69%
International Equities	23.00%	7.66%
Other investments	<u>14.00%</u>	4.90%
Total	<u>100.00%</u>	4.55%

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Discount Rate – A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1.00% Decrease	Current	Discount Rate	1.00% Increase
	<u>(2.16%)</u>		<u>(3.16%)</u>	<u>(4.16%)</u>
Proportionate share of the net OPEB liability	\$ 5,082,971	\$	3,884,103	\$ 2,924,199

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	<u>1.00% Decrease</u>	<u>Assumption</u>	<u>1.00% Increase</u>
Proportionate share of the net OPEB liability	\$ 3,769,486	\$ 3,884,103	\$ 3,997,258

Changes between Measurement Date and Reporting Date – On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

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

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Payroll Growth	3.25
Single discount rate:	
Current Measurement Date	3.56%
Prior Measurement Date	4.66%
Cost of Living Adjustments	3% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

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

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

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2019, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	<u>12.00%</u>	6.40%
Total	<u>120.00%</u>	

Note: Assumptions are geometric

* Levered 2x

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Discount Rate – For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2033, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1.00% Decrease <u>(2.56%)</u>	Current Discount Rate <u>(3.56%)</u>	1.00% Increase <u>(4.56%)</u>
Proportionate share of the net OPEB liability	\$ 1,518,039	\$ 1,224,288	\$ 980,202

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Changes since Prior Measurement Date and to Report Date – There was a decrease in the discount rate from 4.66 percent at prior measurement date to 3.56 percent at the current measurement date. There are no changes to benefit terms.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Other Employee Benefits – Compensated Absences:

Accumulated Unpaid Vacation and Sick Leave

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City amounted to \$551,506 at December 31, 2020.

City employees earn sick leave at a rate of 10 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 \$1,135,144 at December 31, 2020.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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	\$	360,433
Health district fund		5,628
Other governmental funds		414,091
Internal Service Funds		56,084
Enterprise Funds		<u>371,628</u>
Total	\$	<u><u>1,207,864</u></u>

NOTE 8 – TRANSFERS

The following is a summary of transfers in and out for all funds in 2020:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ -	\$ 2,410,840
Health district	\$ -	\$ -
Other governmental	<u>2,410,840</u>	<u>-</u>
Total transfers	<u>\$ 2,410,840</u>	<u>\$ 2,410,840</u>

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

NOTE 9 – CONTINGENT LIABILITIES

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 10—LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS

Long-term Obligations

The following is a summary of long-term liability activity for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Governmental Activities:</u>					
Compensated Absences Payable	1,379,247	711,032	569,290	1,520,989	569,289
Total	\$ 1,379,247	\$ 711,032	\$ 569,290	\$ 1,520,989	\$ 569,289
<u>Business-Type Activities:</u>					
Compensated Absences Payable	\$ 174,963	\$ 52,703	\$ 62,005	\$ 165,661	\$ 62,005
Total	\$ 174,963	\$ 52,703	\$ 62,005	\$ 165,661	\$ 62,005
Net Pension Liability:					
<u>Governmental Activities:</u>					
OPERS	\$ 6,575,381	\$ -	\$ 1,884,182	\$ 4,691,199	
OP&F	9,972,382	-	1,622,832	8,349,550	
Total	\$ 16,547,763	\$ -	\$ 3,507,014	\$ 13,040,749	
<u>Business-Type Activities:</u>					
OPERS	\$ 1,300,305	\$ -	\$ 321,522	\$ 978,783	
Net Other Postemployment Benefits Liability:					
<u>Governmental Activities:</u>					
OPERS	\$ 3,082,763	\$ 130,845	\$ -	\$ 3,213,608	
OP&F	1,112,554	111,734	-	1,224,288	
Total	\$ 4,195,317	\$ 242,579	\$ -	\$ 4,437,896	
<u>Business-Type Activities:</u>					
OPERS	\$ 609,627	\$ 60,868	\$ -	\$ 670,495	

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

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 10—LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS (Continued)

Legal Debt Margin

The City Charter provides that the total net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 7.50% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of the municipal corporation cannot exceed 2.50% of the total value of all property in the municipal corporation as listed and assessed for taxation. As of December 31, 2020, the City had legal debt margin for total debt of \$24,958,730 and a legal debt margin for unvoted debt of \$8,319,577.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City secures general liability, property and automobile coverage through the Ohio Plan Risk Management, Inc. (OPRM). OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2019, the Plan's casualty retention remained unchanged. The Plan's property retention increased to 33% of the first \$1,000,000 property treaty from 30% the prior two treaties. A complementary excess treaty will respond by reimbursing the OPRM 33% of the loss value between \$200,000 and \$1,000,000. Effective November 1, 2020, the Plan's casualty retention remains unchanged and the Plan's property retention increased to 55% of the first \$1,000,000 property treaty. A complimentary excess treaty will respond by reimbursing the OPRM 55% of the loss value between \$200,000 and \$1,000,000. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. The City pays an annual premium to OPRM for this coverage. Insurance will cover up to the limits as stated below:

	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
Cyber liability	\$ 1,000,000	\$ 1,000,000	\$ 25,000
Malicious act liability	\$ 1,000,000	\$ 1,000,000	\$ 25,000

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 11 – RISK MANAGEMENT (Continued)

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 2020, 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 \$8,821, \$6,109 and \$7,272 for the years ended December 31, 2020, 2019 and 2018, respectively.



Required Supplementary Information

CITY OF OAKWOOD, OHIO

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees Retirement System</i>							
City's proportion of the net pension liability	0.028686%	0.028756%	0.029184%	0.029075%	0.029559%	0.029810%	0.029810%
City's proportionate share of the net pension liability	\$ 5,669,982	\$ 7,875,685	\$ 4,328,740	\$ 6,602,438	\$ 5,119,991	\$ 3,595,419	\$ 3,514,211
City's covered-employee payroll	\$ 4,036,029	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758	\$ 3,891,075	\$ 3,666,814	\$ 4,149,576
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.48%	202.77%	112.25%	175.65%	131.58%	98.05%	84.69%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Ohio Police & Fire Pension Fund</i>							
City's proportion of the net pension liability	0.1239443%	0.1221710%	0.1219430%	0.1180120%	0.1246640%	0.1261940%	0.1261940%
City's proportionate share of the net pension liability	\$ 8,349,550	\$ 9,972,383	\$ 7,484,193	\$ 7,474,762	\$ 8,019,723	\$ 6,537,381	\$ 6,146,049
City's covered-employee payroll	\$ 3,237,600	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505	\$ 2,799,400	\$ 2,779,544	\$ 2,811,710
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	257.89%	324.47%	254.28%	264.83%	286.48%	235.20%	218.59%
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

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

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

CITY OF OAKWOOD, OHIO

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees Retirement System</i>							
Contractually required contributions to net pension	\$ 583,657	\$ 565,044	\$ 543,760	\$ 501,333	\$ 451,051	\$ 466,929	\$ 440,018
Contributions to net pension in relation to the contractually required contributions	<u>(583,657)</u>	<u>(565,044)</u>	<u>(543,760)</u>	<u>(501,333)</u>	<u>(451,051)</u>	<u>(466,929)</u>	<u>(440,018)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered-employee payroll	\$ 4,168,979	\$ 4,036,029	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758	\$ 3,891,075	\$ 3,666,814
Contributions to net pension as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
<i>Ohio Police & Fire Pension Fund</i>							
Contractually required contributions to net pension	\$ 637,849	\$ 615,144	\$ 583,961	\$ 559,235	\$ 536,276	\$ 531,886	\$ 528,114
Contributions to net pension in relation to the contractually required contributions	<u>(637,849)</u>	<u>(615,144)</u>	<u>(583,961)</u>	<u>(559,235)</u>	<u>(536,276)</u>	<u>(531,886)</u>	<u>(528,114)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered-employee payroll	\$ 3,357,100	\$ 3,237,600	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505	\$ 2,779,400	\$ 2,779,544
Contributions to net pension as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	19.00%	19.00%	19.14%	19.00%

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

CITY OF OAKWOOD, OHIO

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

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
<i>Ohio Public Employees Retirement System</i>							
City's proportion of the net OPEB liability	0.02812000%		0.02832100%		0.02881000%		0.02886127%
City's proportionate share of the net OPEB liability	\$ 3,884,103	\$	3,692,390	\$	3,128,554	\$	2,807,899
City's covered-employee payroll	\$ 4,036,029	\$	3,884,000	\$	3,856,408	\$	3,758,758
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	96.24%		95.07%		81.13%		74.70%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%		46.33%		54.14%		54.04%
<i>Ohio Police & Fire Pension Fund</i>							
City's proportion of the net OPEB liability	0.12394430%		0.12217100%		0.12194300%		0.11801200%
City's proportionate share of the net OPEB liability	\$ 1,224,288	\$	1,112,554	\$	6,909,120	\$	5,601,764
City's covered-employee payroll	\$ 3,237,600	\$	3,073,479	\$	2,943,342	\$	2,822,505
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	37.81%		36.20%		234.74%		198.47%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%		46.57%		14.13%		15.96%

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

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

CITY OF OAKWOOD, OHIO

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees Retirement System</i>					
Contractually required contributions to OPEB	\$ -	\$ -	\$ -	\$ 42,244	\$ 79,738
Contributions to OPEB in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,244)</u>	<u>(79,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 4,168,979	\$ 4,036,029	\$ 3,884,000	\$ 3,856,408	\$ 3,758,758
Contributions to OPEB as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	1.10%	2.12%
<i>Ohio Police & Fire Pension Fund</i>					
Contractually required contributions to OPEB	\$ 16,785	\$ 16,188	\$ 15,367	\$ 14,458	\$ 14,294
Contributions to OPEB in relation to the contractually required contributions	<u>(16,785)</u>	<u>(16,188)</u>	<u>(15,367)</u>	<u>(14,458)</u>	<u>(14,294)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 3,357,100	\$ 3,237,600	\$ 3,073,479	\$ 2,943,342	\$ 2,822,505
Contributions to OPEB as a percentage of covered-employee payroll	0.50%	0.50%	0.50%	0.49%	0.51%

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

CITY OF OAKWOOD, OHIO

Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2020

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income taxes	\$ 8,100,000	\$ 8,100,000	\$ 8,406,429	\$ 306,429
Property taxes	2,653,658	2,653,658	2,797,799	144,141
Intergovernmental	288,021	288,021	300,386	12,365
Charges for services	94,275	94,275	95,202	927
Fines, licenses and permits	192,100	192,100	157,968	(34,132)
Investment earnings	135,000	135,000	53,154	(81,846)
Donations	2,650	2,650	4,520	1,870
Miscellaneous	39,550	39,550	609,626	570,076
Total revenues	<u>11,505,254</u>	<u>11,505,254</u>	<u>12,425,084</u>	<u>919,830</u>
Expenditures				
Current:				
Security of persons and property	5,829,172	5,829,172	5,458,347	370,825
Community environment	734,537	734,537	598,524	136,013
General government	2,203,914	2,203,914	1,921,967	281,947
Total expenditures	<u>8,767,623</u>	<u>8,767,623</u>	<u>7,978,838</u>	<u>788,785</u>
Excess of revenues over (under) expenditures	<u>2,737,631</u>	<u>2,737,631</u>	<u>4,446,246</u>	<u>1,708,615</u>
Other financing sources (uses)				
Transfers out	(3,210,880)	(4,110,880)	(3,830,524)	280,356
Total other financing sources (uses)	<u>(3,210,880)</u>	<u>(4,110,880)</u>	<u>(3,830,524)</u>	<u>280,356</u>
Net change in fund balance	(473,249)	(1,373,249)	615,722	1,988,971
Fund balance, beginning of year	6,810,193	6,810,193	6,810,193	-
Fund balance, end of year	<u>\$ 6,336,944</u>	<u>\$ 5,436,944</u>	<u>\$ 7,425,915</u>	<u>\$ 1,988,971</u>

CITY OF OAKWOOD, OHIO

Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis
Health Fund
For the Year Ended December 31, 2020

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 116,289	\$ 116,289	\$ 116,289	\$ -
Intergovernmental	1,725	1,725	6,726	5,001
Charges for services	1,000	1,000	9,486	8,486
Fines, licenses and permits	39,930	39,930	43,359	3,429
Total revenues	<u>158,944</u>	<u>158,944</u>	<u>175,860</u>	<u>16,916</u>
Expenditures				
Current:				
Public health	155,332	155,332	140,287	15,045
Total expenditures	<u>155,332</u>	<u>155,332</u>	<u>140,287</u>	<u>15,045</u>
Excess of revenues over (under) expenditures	<u>3,612</u>	<u>3,612</u>	<u>35,573</u>	<u>31,961</u>
Net change in fund balance	3,612	3,612	35,573	31,961
Fund balance, beginning of year	92,355	92,355	92,355	-
Fund balance, end of year	<u>\$ 95,967</u>	<u>\$ 95,967</u>	<u>\$ 127,928</u>	<u>\$ 31,961</u>

See notes to required supplementary information.

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2020

Note 1 – Net Pension Plan Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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

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

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

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

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

Changes in benefit terms:

2020-2014: There were no changes in benefit terms for the period.

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

Changes in assumptions:

2020-2019: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

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

Changes in benefit terms:

2020-2014: There were no changes in benefit terms for the period.

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2020

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

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96% to 3.16%, the municipal bond rate changed from 3.71% to 2.75% and the health care cost trend rate changed from 10.00% to 10.50%.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time. The single discount rate changed from 3.85% to 3.96%.

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

Changes in benefit terms:

2020-2018: There were no changes in benefit terms for the period.

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

Changes in assumptions:

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate increased from 3.16% to 4.13%.

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

Changes in benefit terms:

2020: There were no changes in benefit terms for the period.

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

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

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2020

Note 3 – Budgetary Basis of Accounting

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

The major differences between the budget basis and GAAP basis are that:

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

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

Note 4 – Budgetary Process

All funds, except for custodial fiduciary funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and other

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2020

Note 4 – Budgetary Process

expenditures level within each office, department and division within a fund. Council must approve any revisions that alter total fund appropriations.

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

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

Note 5 – Reconciliation of Budget Basis to Governmental GAAP Basis

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

	General Fund	Health Fund
GAAP Basis	\$ 1,875,065	\$ 40,575
Adjustments:		
Other fund balances included in governmental GAAP basis	(1,011,638)	-
Revenue accruals	(292,265)	95
Expenditure accruals	96,342	(5,097)
Encumbrances	(51,782)	-
Transfers	-	-
Budgetary Basis	\$ 615,722	\$ 35,573

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Dayton, Ohio
May 7, 2021



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OHIO AUDITOR OF STATE KEITH FABER



CITY OF OAKWOOD

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/10/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov