

Village of Glendale, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Glendale (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance and repair, water and sewer utilities, park operations, police services and fire protection services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in the Public Entities Pool a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

FEMA Grant The FEMA Grant fund accounts for and reports receipts and disbursements of a FEMA Grant from the U.S. Department of Homeland Security for the Glendale Fire Department for the purchase of self-contained breathing apparatus and related equipment.

HCSWD Projects Glendale The Hamilton County Storm Water District (HCSWD) fund accounts

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for and reports receipts and disbursements from awarded grants from Hamilton County Storm Water District for designated projects in the Village.

Police Support and SRO Fund The Police Support and SRO Fund accounts for and reports receipts and disbursements of a grant from a private foundation with the specific purpose of funding a school resource officer/police officer of the Village.

Community Fund The Community Fund accounts for and reports receipts and disbursements from donations to the Quiet Zone Project, with the specific purpose of funding design and construction of a quiet zone in the Village of Glendale. The Community Fund also accounts for and reports receipts and disbursements for the yearly Glendale Car Show and public civic events provided by the village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Village Plan and General Improvement Fund The Village Plan and General Improvement Fund accounts for and reports proceeds and donations to fund building improvements and equipment purchases.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds Fiduciary funds include agency funds, which are purely custodial in nature and used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's Court activity and Unclaimed Funds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit, U.S. Treasury notes and bonds at cost. Money market mutual funds are recorded at share values the mutual funds report.

Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

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2017 Budgeted vs. Actual Receipts			
Fund Type	Budgetary Receipts from Certificate of Est. Resources(Total Amt Available Resources less Unencumbered Fund Balance	Actual Receipts from the Financial Statements	Variance
General	\$2,391,086	\$2,440,512	\$49,426
Special Revenue	617,511	665,269	47,758
Capital Projects	457,658	469,548	11,890
Enterprise	1,474,328	1,388,933	(85,395)
Fiduciary	2,000	0	(2,000)
Total	\$4,942,583	\$4,964,262	\$21,679

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2017 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority from the approved Appropriation Resolution and any amendments made during the period plus Prior Year Carryover Encumbrances	Budgetary Expenditures from the Financial Statements plus Outstanding Encumbrances at Year End	Variance
General	\$2,811,860	\$2,651,934	\$159,926
Special Revenue	840,259	410,340	429,919
Debt Service			
Capital Projects	690,167	443,659	246,508
Enterprise	1,735,415	1,354,206	381,209
Fiduciary	2,000	0	2,000
Total	<u>\$6,079,701</u>	<u>\$4,860,139</u>	<u>\$1,219,562</u>

Note 5 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2017</u>
Demand deposits	\$3,230,691
Certificates of deposit	1,325,000
Other time deposits (NOW&MMAX accounts)	1,495,806
Total deposits	<u>6,051,497</u>
U.S. Treasury Notes	
US Bank Custodial for Bartlett	6,800,207
Hunting	
Total investments	<u>6,800,207</u>
Total deposits and investments	<u>\$12,851,704</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

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Investments

A financial institution's trust department holds the Village's equity securities in book entry form in the Village's name.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 7 - Risk Management

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. Burnham & Flower Insurance Group. (BF) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by Burnham. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015

	<u>2015</u>	<u>2016</u>
Assets	\$38,307,677	\$42,182,281
Liabilities	(12,759,127)	(13,396,700)
Net Position	<u>\$25,548,550</u>	<u>\$28,785,581</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$[insert 63% x 2015 (casualty + liability) premium]. <<< ***Because this liability is an estimate, please round to the nearest thousand dollars.***

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2016</u>	
54,797	

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Retirement Systems

The Village's full-time Police Officers and full-time Fire Chief belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F members contributed 12.25% of their

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gross salaries and the Village contributed an amount equaling 19.5% of participants' gross salaries for full-time police officers and 24% for the full-time Fire Chief.

OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2017</i>	<i>10%</i>	<i>14%</i>
<i>OPERS – Public Safety</i>	<i>2014-2017</i>	<i>12.00%</i>	<i>18.10%</i>
<i>OPERS – Law Enforcement</i>	<i>2014-2017</i>	<i>13.00%</i>	<i>18.10%</i>

Social Security

The Glendale Volunteer Fire Department employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan#4644	\$3,749,693	2.75%
Ohio Public Works Commission Loan#CB11K	\$337,500	0.00%
Ohio Public Works Commission Loan#CB08L	436,498	0.00%
Ohio Water Development Authority Loan#6546	252,987	3.74%
Oho Public Works Commission Loan#CB28R	533,463	0.00%
Total	<u>\$5,310,141</u>	

The Village was awarded an Ohio Water Development Authority Loan #4644 in 2009 in the amount of \$6,081,480, for wastewater treatment plant improvements. The loan bears an interest rate of 2.75%, with the final semi-annual payment due in July 2028.

The Village was awarded an Ohio Public Works Commission Loan #CB11K in 2007 in the amount of \$750,000 for water treatment plant improvements. The loan bears an interest rate of 0.0%, with the final semi-annual payment due in January 2022.

The Village was awarded an Ohio Public Works Commission Loan #CB08L in the amount of \$727,496 for water treatment plant improvements. The loan bears an interest rate of 0.0%, with the final semi-annual payment due in July 2023.

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The Village was awarded an Ohio Public Works Commission Loan #CB28R in 2014 in the amount of \$576,717 for wastewater treatment plant improvements. The loan bears an interest rate of 0.0%. A final with the final semi-annual payment due January 2036.

The Village was awarded an Ohio Water Development Authority Loan #6546 in 2013 in the amount of \$284,976 for wastewater treatment plant improvements. The loan bears an interest rate of 3.74%, with the final semi-annual payment due July 2034.

Note 10 – Contingent Liabilities

On December 18, 2012, the Village of Glendale signed a document captioned Director's Final Findings and Orders with the Ohio Department of Environmental Protection (OEPA Order. The OEPA Order sought compliance with the Village's National Pollution Discharge Elimination System (NPDES) Permit. The Village is in the process of complying with the order and is awaiting final approval from the OEPA. The Village believes that any future actions to achieve compliance will not result in additional material liability to the Village.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.