

Village of Oakwood, Ohio

Financial Statements

December 31, 2004 and 2003



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
Village of Oakwood
24800 Broadway Avenue
Oakwood, Ohio 44146

We have reviewed the *Independent Auditor's Report* of the Village of Oakwood, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2003 to December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Village of Oakwood is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 12, 2005

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Village of Oakwood, Ohio

For The Years Ended December 31, 2004 and 2003

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Independent Auditors' Report

Honorable Mayor and
Members of Council
Village of Oakwood, Ohio

We have audited the accompanying financial statements of the Village of Oakwood, Ohio (the "Village"), as of and for the years ended December 31, 2004 and 2003, as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position.

Honorable Mayor and
Members of Council
Village of Oakwood, Ohio

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2005 on our consideration of the Village'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cini & Parichi, Inc.

Cleveland, Ohio
May 10, 2005

Village Of Oakwood, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types

For The Year Ended December 31, 2004

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Receipts</u>					
Local Taxes	\$ 3,610,235	\$ 97,487	\$ 67,474	\$ -	\$ 3,775,196
Intergovernmental Revenues	453,004	435,048	-	-	888,052
Special Assessments	-	-	148,242	-	148,242
Charges for Services	272,190	165,758	-	-	437,948
Fines, Licenses, and Permits	276,131	17,640	-	-	293,771
Miscellaneous	151,416	5,148	14,374	-	170,938
Total Receipts	<u>4,762,976</u>	<u>721,081</u>	<u>230,090</u>	<u>-</u>	<u>5,714,147</u>
<u>Disbursements</u>					
Security of Persons and Property	1,956,069	314,801	-	-	2,270,870
Public Health Services	-	1,125	-	-	1,125
Leisure Time Activities	-	130,487	-	-	130,487
Community Environment	172,395	-	-	98,821	271,216
Basic Utility Services	207,258	-	-	-	207,258
Transportation	50,413	771,989	-	-	822,402
General Government	1,903,123	12,084	-	-	1,915,207
Debt Service:					
Principal Retirement	-	-	2,752,000	-	2,752,000
Interest and Fiscal Charges	-	-	142,912	-	142,912
Total Disbursements	<u>4,289,258</u>	<u>1,230,486</u>	<u>2,894,912</u>	<u>98,821</u>	<u>8,513,477</u>
Total Receipts Over (Under) Disbursements	<u>473,718</u>	<u>(509,405)</u>	<u>(2,664,822)</u>	<u>(98,821)</u>	<u>(2,799,330)</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers - In	-	169,911	834,000	-	1,003,911
Operating Transfers - Out	(205,000)	(798,911)	-	-	(1,003,911)
Proceeds from Sale of Debt	-	2,732,835	1,833,000	-	4,565,835
Proceeds from Sale of Fixed Assets	16,587	-	-	-	16,587
Other Uses	(1,498)	-	-	-	(1,498)
Total Other Financing Sources (Uses)	<u>(189,911)</u>	<u>2,103,835</u>	<u>2,667,000</u>	<u>-</u>	<u>4,580,924</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	283,807	1,594,430	2,178	(98,821)	1,781,594
Beginning Fund Cash Balance	<u>168,952</u>	<u>493,900</u>	<u>3</u>	<u>121,588</u>	<u>784,443</u>
Ending Fund Cash Balance	\$ <u>452,759</u>	\$ <u>2,088,330</u>	\$ <u>2,181</u>	\$ <u>22,767</u>	\$ <u>2,566,037</u>

The accompanying notes are an integral part of these financial statements

Village of Oakwood, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Types and Fiduciary Fund Types

For The Year Ended December 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<u>Operating Revenues</u>			
Charges for Services	\$ 86,264	\$ 172,669	\$ 258,933
Fines, Licenses and Permits	-	306,444	306,444
Total Operating Revenues	<u>86,264</u>	<u>479,113</u>	<u>565,377</u>
<u>Operating Expenses</u>			
Contractual Services	46,318	308,487	354,805
Personal Services	<u>46,080</u>	-	<u>46,080</u>
Total Operating Expenses	<u>92,398</u>	<u>308,487</u>	<u>400,885</u>
Operating Income (Loss)	(6,134)	170,626	164,492
<u>Non-Operating Revenues (Expenses)</u>			
Other Non-Operating Expenses	(22,311)	(70,951)	(93,262)
Debt Proceeds	<u>554,165</u>	-	<u>554,165</u>
Total Non-Operating Revenue (Expenses)	<u>531,854</u>	<u>(70,951)</u>	<u>460,903</u>
Net Revenues Over (Under) Expenses	525,720	99,675	625,395
Beginning Cash Balance	<u>58,566</u>	<u>487,177</u>	<u>545,743</u>
Ending Cash Balance	\$ <u>584,286</u>	\$ <u>586,852</u>	\$ <u>1,171,138</u>

The accompanying notes are an integral part of these financial statements

Village of Oakwood, Ohio

Combined Statement of Receipts – Budget and Actual

For The Year Ended December 31, 2004

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General Fund	\$ 4,712,395	\$ 4,779,563	\$ 67,168
Special Revenue Funds	3,787,046	3,623,827	(163,219)
Debt Service Fund	2,897,090	2,897,090	-
Capital Project Funds	7,597	-	(7,597)
Proprietary:			
Enterprise Funds	640,772	640,429	(343)
Fiduciary:			
Agency Fund	<u>507,703</u>	<u>479,113</u>	<u>(28,590)</u>
Total (Memorandum Only)	\$ <u>12,552,603</u>	\$ <u>12,420,022</u>	\$ <u>(132,581)</u>

The accompanying notes are an integral part of these financial statements

Village of Oakwood, Ohio

Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority

For The Year Ended December 31, 2004

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Encumbrances</u>	<u>2004 Appropriations</u>	<u>Total</u>
Governmental:			
General Fund	\$ 38,344	\$ 4,726,647	\$ 4,764,991
Special Revenue Funds	64,860	3,611,538	3,676,398
Debt Service Fund	-	2,895,369	2,895,369
Capital Projects Funds	7,597	105,800	113,397
Proprietary:			
Enterprise	343	606,180	606,523
Fiduciary:			
Agency	<u>28,590</u>	<u>412,087</u>	<u>440,677</u>
Total (Memorandum Only)	\$ <u>139,734</u>	\$ <u>12,357,621</u>	\$ <u>12,497,355</u>

The accompanying notes are an integral part of these financial statements

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/04</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,495,756	\$ 16,515	\$ 4,512,271	\$ 252,720
2,029,397	91,320	2,120,717	1,555,681
2,894,912	-	2,894,912	457
98,821	12,011	110,832	2,565
114,709	-	114,709	491,814
<u>379,438</u>	<u>46,011</u>	<u>425,449</u>	<u>15,228</u>
\$ <u><u>10,013,033</u></u>	\$ <u><u>165,857</u></u>	\$ <u><u>10,178,890</u></u>	\$ <u><u>2,318,465</u></u>

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Village Of Oakwood, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types

For The Year Ended December 31, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Receipts</u>					
Local Taxes	\$ 3,418,669	\$ 125,937	\$ 60,713	\$ 78,194	\$ 3,683,513
Intergovernmental Revenues	261,863	632,202	-	-	894,065
Special Assessments	-	-	81,791	-	81,791
Charges for Services	249,079	165,539	-	-	414,618
Fines, Licenses, and Permits	269,123	15,695	-	-	284,818
Miscellaneous	159,865	7,993	-	-	167,858
Total Receipts	<u>4,358,599</u>	<u>947,366</u>	<u>142,504</u>	<u>78,194</u>	<u>5,526,663</u>
<u>Disbursements</u>					
Security of Persons and Property	2,028,449	505,108	-	-	2,533,557
Public Health Services	-	1,289	-	-	1,289
Leisure Time Activities	-	131,066	-	-	131,066
Community Environment	189,143	-	-	74,520	263,663
Basic Utility Services	520,823	-	-	-	520,823
Transportation	50,444	1,125,107	-	-	1,175,551
General Government	1,782,997	2,000	-	-	1,784,997
Debt Service:					
Principal Retirement	-	-	1,999,000	-	1,999,000
Interest and Fiscal Charges	-	-	115,222	-	115,222
Total Disbursements	<u>4,571,856</u>	<u>1,764,570</u>	<u>2,114,222</u>	<u>74,520</u>	<u>8,525,168</u>
Total Receipts Over (Under) Disbursements	<u>(213,257)</u>	<u>(817,204)</u>	<u>(1,971,718)</u>	<u>3,674</u>	<u>(2,998,505)</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers - In	12,200	232,004	210,702	-	454,906
Operating Transfers - Out	(250,328)	(196,494)	-	(8,084)	(454,906)
Proceeds from Sale of Debt	-	740,000	1,761,000	-	2,501,000
Proceeds from Sale of Fixed Assets	2,854	-	-	-	2,854
Other	(13)	-	-	-	(13)
Total Other Financing Sources (Uses)	<u>(235,287)</u>	<u>775,510</u>	<u>1,971,702</u>	<u>(8,084)</u>	<u>2,503,841</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(448,544)	(41,694)	(16)	(4,410)	(494,664)
Beginning Fund Cash Balance	<u>617,496</u>	<u>535,594</u>	<u>19</u>	<u>125,998</u>	<u>1,279,107</u>
Ending Fund Cash Balance	\$ <u>168,952</u>	\$ <u>493,900</u>	\$ <u>3</u>	\$ <u>121,588</u>	\$ <u>784,443</u>

The accompanying notes are an integral part of these financial statements

Village of Oakwood, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Types And Fiduciary Fund Types

For The Year Ended December 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<u>Operating Revenues</u>			
Charges for Services	\$ 86,905	\$ 120,336	\$ 207,241
Fine, Licenses and Permits	<u>-</u>	<u>226,876</u>	<u>266,876</u>
Total Operating Revenues	86,905	387,212	474,117
<u>Operating Expenses</u>			
Contractual Services	<u>99,684</u>	<u>270,884</u>	<u>370,568</u>
Operating Income (Loss)	(12,779)	116,328	103,549
<u>Non-Operating Revenues (Expenses)</u>			
Other Non-Operating Expenses	<u>(41,860)</u>	<u>(41,285)</u>	<u>(83,145)</u>
Net Revenues Over (Under) Expenses	(54,639)	75,043	20,404
Beginning Cash Balance	<u>113,205</u>	<u>412,134</u>	<u>525,339</u>
Ending Cash Balance	\$ <u>58,566</u>	\$ <u>487,177</u>	\$ <u>545,743</u>

The accompanying notes are an integral part of these financial statements

Village of Oakwood, Ohio

Combined Statement of Receipts – Budget And Actual

For The Year Ended December 31, 2003

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General Fund	\$ 4,391,495	\$ 4,373,653	\$ (17,842)
Special Revenue Funds	1,956,741	1,919,370	(37,371)
Debt Service Fund	2,114,206	2,114,206	-
Capital Project Funds	78,194	78,194	-
Proprietary:			
Enterprise Funds	92,709	86,905	(5,804)
Fiduciary:			
Agency Fund	<u>391,569</u>	<u>387,212</u>	<u>(4,357)</u>
Total (Memorandum Only)	\$ <u>9,024,914</u>	\$ <u>8,959,540</u>	\$ <u>(65,374)</u>

The accompanying notes are an integral part of these financial statements

Village of Oakwood, Ohio

Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority

For The Year Ended December 31, 2003

<u>Fund Types/Funds</u>	<u>Carryover Encumbrances</u>	<u>2003 Appropriations</u>	<u>Total</u>
Governmental:			
General Fund	\$ 17,855	\$ 4,867,900	\$ 4,885,755
Special Revenue Funds	101,793	1,944,398	2,046,191
Debt Service Fund	-	2,114,226	2,114,226
Capital Projects Funds	-	144,298	144,298
Proprietary:			
Enterprise	5,804	142,654	148,458
Fiduciary:			
Agency	<u>4,357</u>	<u>342,220</u>	<u>346,577</u>
Total (Memorandum Only)	\$ <u>129,809</u>	\$ <u>9,555,696</u>	\$ <u>9,685,505</u>

The accompanying notes are an integral part of these financial statements

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/03</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,822,197	\$ 38,344	\$ 4,860,541	\$ 25,214
1,961,064	64,860	2,025,924	20,267
2,114,222	-	2,114,222	4
82,604	7,597	90,201	54,097
141,544	343	141,887	6,571
<u>312,169</u>	<u>28,590</u>	<u>340,759</u>	<u>5,818</u>
\$ <u><u>9,433,800</u></u>	\$ <u><u>139,734</u></u>	\$ <u><u>9,573,534</u></u>	\$ <u><u>111,971</u></u>

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Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies

A. Description of the Entity

The Village is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: public safety and public services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. Basis of Accounting

The Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded in the financial statements by the Village under the basis of accounting used. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations.

C. Investments and Inactive Funds

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest is recognized and recorded when received.

D. Fund Accounting

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long term and special assessment debt principal and interest.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Fund

To account for the Village's water and sewer operation. It is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Agency Funds

To account for assets held by the Village as an agent for individuals, private organizations, other governmental units, and/or other funds.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

2. Estimated Resources

The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown on the accompanying financial statements do not include January 1, 2004 and 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. At the close of each fiscal year, encumbered appropriation balances lapse and are reappropriated the subsequent fiscal year.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general government service are recorded as expenditures. Depreciation is not recorded for those fixed assets.

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (continued)

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

Note 2 - Cash, Cash Equivalents and Investments

Cash resources for a majority of the Village's individual funds are combined to form a pool of cash and investments which are stated at cost and amortized cost.

The Village may invest any monies not required to be used for a period of six months in the following classes of investments:

- Bonds, notes or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;
- Discount notes of the Federal National Mortgage Association;
- Bonds of the State of Ohio; and
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Village places deposits must pledge as collateral eligible securities with an aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority.

The Governmental Accounting Standards Board, Statement No. 3, has established risk categories for deposits and investments as follows:

Deposits:

Category 1 - Insured or collateralized with securities held by the Village or by its agent in the Village's name.

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 2 - Cash, Cash Equivalents and Investments

Deposits (continued):

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uncollateralized, although secured by pooled securities pledged by financial institutions.

Investments:

Category 1 - Insured or registered, or securities held by the Village or its agent in the Village's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.

At December 31, 2004, the carrying amount of the Village's deposits was \$52,175 and the bank balance was \$89,031. The 2004 bank balance was covered in full by the Federal Depository Insurance. At December 31, 2003, the carrying amount of the Village's deposits was \$35,186 and the bank balance was \$80,535. The 2003 bank balance was covered in full by the Federal Depository Insurance.

B. Investments

The Village's investments are detailed below by type and are categorized to give an indication of the level of risk assumed as of year-end.

<u>Description</u>	<u>2003</u>		
	<u>Risk Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreement	\$ <u>1,295,000</u>	\$ <u>1,295,000</u>	\$ <u>1,295,000</u>

<u>Description</u>	<u>2004</u>		
	<u>Risk Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreement	\$ <u>3,685,000</u>	\$ <u>3,685,000</u>	\$ <u>3,685,000</u>

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 3 – Property Tax

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1994. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Oakwood. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full tax rate for all Village operations for the year ended December 31, 2004, was \$11.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

<u>Category</u>	<u>2004</u> <u>Assessed Value</u>	<u>2003</u> <u>Assessed Value</u>
Real Estate	\$ 96,471,520	\$ 91,247,400
Public Utility	3,844,200	3,728,820
Tangible Personal	<u>21,196,691</u>	<u>23,588,558</u>
Total Valuation	\$ <u>121,512,411</u>	\$ <u>118,564,778</u>

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 4 - Local Income Tax

This locally levied tax of two percent (2%) is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of Oakwood and to earnings of non-residents (except certain transients) earned in the village. It also applies to net income of business organizations conducted within the Village of Oakwood. Tax receipts are credited to the General Fund and amounted to \$3,264,025 in 2004 and \$2,983,788 in 2003.

Note 5 - Outstanding Debt

A. Note Debt

Note debt at December 31, 2003 consisted of the following:

<u>General Obligation Notes</u>	<u>Balance at 12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/03</u>
Broadway Avenue	\$ 490,000	\$ 490,000	\$ 490,000	\$ 490,000
Emergency Generator	30,000	30,000	30,000	30,000
Fire Station Improvements	115,000	115,000	115,000	115,000
Lynbrook Drive Improvements	366,000	366,000	366,000	366,000
Oakwood Community Park Improvements	75,000	75,000	75,000	75,000
Community Park Drive	764,000	-	764,000	-
Broad/Oaks Project	-	740,000	-	740,000
Total General Obligation Notes	\$ <u>1,840,000</u>	\$ <u>1,816,000</u>	\$ <u>1,840,000</u>	\$ <u>1,816,000</u>

Note debt at December 31, 2004 consisted of the following:

<u>General Obligation Notes</u>	<u>Balance at 12/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/04</u>
Broadway Avenue	\$ 490,000	\$ -	\$ 490,000	\$ -
Emergency Generator	30,000	-	30,000	-
Fire Station Improvements	115,000	-	115,000	-
Lynbrook Drive Improvements	366,000	-	366,000	-
Oakwood Community Park Improvements	75,000	-	75,000	-
Broad/Oaks Project	740,000	1,515,000	1,492,000	763,000
Richmond Road Bikeway Project	-	1,610,000	-	1,610,000
Total General Obligation Notes	\$ <u>1,816,000</u>	\$ <u>3,125,000</u>	\$ <u>2,568,000</u>	\$ <u>2,373,000</u>

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 5 - Outstanding Debt (continued)

B. Bonded Debt

Bonded debt at December 31, 2003 consisted of the following:

	<u>Balance at</u> <u>12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/03</u>
<u>General Obligation Bonds</u>				
Street Improvements, 1984 (9.75%)	\$ 6,513	\$ -	\$ 3,085	\$ 3,428
Various Purpose, 1989 (6.95% - 8.50%)	150,000	-	75,000	75,000
Street Improvement, 1990 (7.375%)	4,355	-	523	3,832
Various Purpose Water, 1996 (6.60%)	59,096	-	2,686	56,410
Various Purpose Sewer, 1996 (6.60%)	223,982	-	10,768	213,214
<u>Special Assessment Bonds</u>				
Street Improvement, 1984 (9.75%)	88,487	-	41,915	46,572
Street Improvement, 1990 (7.375%)	70,645	-	8,477	62,168
Various Purpose Water, 1996 (6.60%)	50,904	-	2,314	48,590
Street Improvement, 1996 (6.60%)	296,018	-	14,232	281,786
Street Improvement, 2003 (2.5% - 5.5%)	<u>-</u>	<u>685,000</u>	<u>-</u>	<u>685,000</u>
	<u>\$ 950,000</u>	<u>\$ 685,000</u>	<u>\$ 159,000</u>	<u>\$ 1,476,000</u>

Bonded debt at December 31, 2004 consisted of the following:

	<u>Balance at</u> <u>12/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/04</u>
<u>General Obligation Bonds</u>				
Street Improvements, 1984 (9.75%)	\$ 3,428	\$ -	\$ 3,428	\$ -
Various Purpose, 1989 (6.95% - 8.50%)	75,000	-	75,000	-
Street Improvement, 1990 (7.375%)	3,832	-	523	3,309
Various Purpose Water, 1996 (6.60%)	56,410	-	2,686	53,724
Various Purpose Sewer, 1996 (6.60%)	213,214	-	10,768	202,446
Various Purpose, 2004 (4.00% - 5.50%)	-	1,995,000	-	1,995,000
<u>Special Assessment Bonds</u>				
Street Improvement, 1984 (9.75%)	46,572	-	46,572	-
Street Improvement, 1990 (7.375%)	62,168	-	8,477	53,691
Various Purpose Water, 1996 (6.60%)	48,590	-	2,314	46,276
Street Improvement, 1996 (6.60%)	281,786	-	14,232	267,554
Street Improvement, 2003 (2.5% - 5.5%)	<u>685,000</u>	<u>-</u>	<u>20,000</u>	<u>665,000</u>
	<u>\$ 1,476,000</u>	<u>\$ 1,995,000</u>	<u>\$ 184,000</u>	<u>\$ 3,287,000</u>

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 5 - Outstanding Debt (continued)

B. Bonded Debt (Continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2004, including interest payments of \$1,919,558 are as follows:

<u>Year Ending December 31</u>	<u>Bonds</u>
2005	\$ 302,450
2006	298,431
2007	297,232
2008	296,834
2009	295,031
2010-2014	1,463,708
2015-2019	1,222,397
2020-2024	<u>1,030,475</u>
Total	\$ <u>5,206,558</u>

Note 6 - Insurance

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80% coinsured.

Note 7 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, contribute to the Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans as described below:

- The traditional pension plan (TP) – a cost sharing multiple-employer defined benefit pension plan.
- The member-directed plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 7 - Defined Benefit Pension Plans (continued)

A. Public Employees Retirement System (continued)

- The combined plan (CO) – a cost-sharing multiple employer defined benefit pension plan. Under the combined plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004 and 2003, member and employer contribution rates were consistent across all three plans (TP, MD, CO). Separate divisions for law enforcement and public safety exist only within the traditional plan. City employees are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2004 and 2003 employer contribution rate for the City was 13.55 percent of covered payroll. The City's contributions to the OPERS for the years ended December 31, 2004, 2003 and 2002 were \$196,184, \$209,566, and \$208,850, respectively.

B. Ohio Police and Fire Pension Fund

The Village of Oakwood contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The Village of Oakwood contributions to OP&F for the years ending December 31, 2004, 2003, and 2002 were \$131,063, \$127,713 and \$129,973, respectively, equal required contributions for each year.

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees' Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement systems is considered in Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. During 2004 and 2003, the employer contribution rate was 13.55 percent. The portion that was used to fund health care benefits in 2004 and 2003 was 4 percent and 5 percent, respectively.

For 2004:

The actuarially accrued postretirement health care liability for OPERS at December 31, 2003 was \$26.9 billion. The net assets were \$10.5 billion, leaving an unfunded actuarial accrued liability of \$16.4 billion. The number of active contributing participants was 369,885. The Village's actual contributions for 2004, which were used to fund postemployment benefits, were \$57,914.

For 2003:

The actuarially accrued postretirement health care liability for OPERS at December 31, 2002 was \$18.7 billion. The net assets were \$10.0 billion, leaving an unfunded actuarial accrued liability of \$8.7 billion. The number of active contributing participants was 364,881. The Village's actual contributions for 2003, which were used to fund postemployment benefits, were \$77,331.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty-two if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered on Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police contribution rate is 19.5 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2004 and 2003, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

Village of Oakwood, Ohio

Notes To Financial Statements

December 31, 2004 and 2003

Note 8 - Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

For 2004:

The number of participants eligible to receive health care benefits as of December 31, 2003, the date of the last actuarial valuation available, was 13,662 for police. The Village's actual contributions for 2004 that were used to fund postemployment benefits were \$52,089 for police. The OP&F's total health care expenses for the year ending December 31, 2003, the date of the latest actuarial valuation available, were \$150,853,148, which was net of member contributions of \$17,207,506.

For 2003:

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, was 13,527 for police. The Village's actual contributions for 2003 that were used to fund postemployment benefits were \$50,758 for police. The OP&F's total health care expenses for the year ending December 31, 2002, the date of the latest actuarial valuation available, were \$141,028,006, which was net of member contributions of \$12,623,875.

Note 9 – Contingencies

The Village is currently involved in a variety of litigation. It is the opinion of the Village's lawyers that the outcome of these will not have a material effect on the Village's financial position at December 31, 2004 and 2003.

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
Members of Council of the
Village of Oakwood, Ohio

We have audited the financial statements of the Village of Oakwood, Ohio (the “Village”) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 10, 2005 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated May 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 04-1. We also noted a certain additional matter that we reported to management of Village, in a separate letter dated May 10, 2005.

Honorable Mayor and
Members of Council of the
Village of Oakwood, Ohio

This report is intended solely for the information and use of the Village Council, Village Management, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
May 10, 2005

Village of Oakwood, Ohio

Schedule of Findings

December 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

04-01 Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

During our review of expenditures for 2003 and 2004, Ciuni & Panichi, Inc. noted several instances where purchase orders were issued after the city received the invoice.

3. OTHER FINDINGS

None.

**Village of Oakwood
24800 Broadway Avenue
Oakwood Village, Ohio 44146-6395**

No prior audit findings noted.

Village of Oakwood
24800 Broadway Avenue
Oakwood Village, Ohio 44146-6395

RESPONSE TO FINDINGS ASSOCIATED WITH
AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
04-01	The Village will monitor expenditures to ensure that they have been properly encumbered.	N/A	Karen Howse Finance Director



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**VILLAGE OF OAKWOOD
CUYAHOGA COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**