

VILLAGE OF OAKWOOD, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA

Auditor of State

Members of the Village Council
Village of Oakwood
24800 Broadway Avenue
Oakwood Village, Ohio 44146

We have reviewed the *Independent Auditor's Report* of the Village of Oakwood, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2007 through December 31, 2007. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 19, 2008

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VILLAGE OF OAKWOOD, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Village Council
Village of Oakwood

The Honorable Mary Taylor
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the Village of Oakwood, Ohio, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Village of Oakwood, Ohio's management. Our responsibility is to express an opinion 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 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 audit provides 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.

Instead of the combined funds and accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting its larger (i.e. major) funds separately. While the Village of Oakwood, Ohio, does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village of Oakwood, Ohio, has elected not to follow GAAP statement formatting requirements. 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.

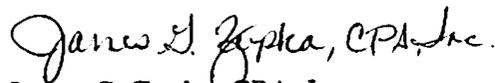
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Oakwood, Ohio, as of December 31, 2007, or the changes in financial position or cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Oakwood, Ohio, as of December 31, 2007, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village of Oakwood, Ohio, 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 October 15, 2008, on our consideration of the Village of Oakwood, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Village of Oakwood, Ohio taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Village of Oakwood, Ohio. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.


James G. Zupka, CPA, Inc.
Certified Public Accountants

October 15, 2008

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, 2007

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts					
Property and Local Taxes	\$ 4,084,510	\$ 145,288	\$ 46,422	\$ 89,571	\$ 4,365,791
Intergovernmental Revenues	292,499	980,127	0	0	1,272,626
Special Assessments	0	0	25,398	0	25,398
Charges for Services	311,644	226,974	0	0	538,618
Fines, Licenses, and Permits	387,317	16,170	0	0	403,487
Miscellaneous	298,381	99,275	0	0	397,656
Total Receipts	5,374,351	1,467,834	71,820	89,571	7,003,576
Disbursements					
Security of Persons and Property	2,290,153	332,729	0	0	2,622,882
Public Health Services	0	490	0	0	490
Leisure Time Activities	0	197,475	0	0	197,475
Community Environment	187,331	8,540	0	0	195,871
Basic Utility Services	212,645	0	0	0	212,645
Transportation	36,794	1,264,950	0	0	1,301,744
General Government	1,001,533	6,148	0	0	1,007,681
Capital Outlay	0	0	29,930	19,575	49,505
Debt Service:					
Principal Retirement	0	0	2,545,000	0	2,545,000
Interest and Fiscal Charges	0	0	262,655	0	262,655
Total Disbursements	3,728,456	1,810,332	2,837,585	19,575	8,395,948
Total Receipts Over (Under) Disbursements	1,645,895	(342,498)	(2,765,765)	69,996	(1,392,372)
Other Financing Sources (Uses)					
Operating Transfers - In	0	174,469	414,470	0	588,939
Operating Transfers - Out	(405,030)	(183,909)	0	0	(588,939)
Proceeds from Sale of Debt	0	531,000	2,289,930	0	2,820,930
Other Sources (Uses)	(1,144,830)	0	10,095	0	(1,134,735)
Total Other Financing Sources (Uses)	(1,549,860)	521,560	2,714,495	0	1,686,195
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	96,035	179,062	(51,270)	69,996	293,823
Beginning Fund Cash Balance	964,943	282,089	51,360	729	1,299,121
Ending Fund Cash Balance	\$ 1,060,978	\$ 461,151	\$ 90	\$ 70,725	\$ 1,592,944

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, 2007

	<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	\$ 79,076	\$ 289,868	\$ 368,944
Fines, Licenses and Permits	<u>0</u>	<u>301,972</u>	<u>301,972</u>
Total Operating Revenues	<u>79,076</u>	<u>591,840</u>	<u>670,916</u>
<u>Operating Expenses</u>			
Contractual Services	144,806	311,167	455,973
Material and Supplies	13,521	0	13,521
Capital Outlay	<u>14,849</u>	<u>0</u>	<u>14,849</u>
Total Operating Expenses	<u>173,176</u>	<u>311,167</u>	<u>484,343</u>
Total Operating Income (Loss)	<u>(94,100)</u>	<u>280,673</u>	<u>186,573</u>
<u>Non-Operating Revenues (Expenses)</u>			
Other Non-Operating Expenses	0	(158,794)	(158,794)
Debt Proceeds	14,250	0	14,250
Debt Principal Repayment	<u>(1,069)</u>	<u>0</u>	<u>(1,069)</u>
Total Non-Operating Revenue (Expenses)	<u>13,181</u>	<u>(158,794)</u>	<u>(145,613)</u>
Net Revenues Over (Under) Expenses	<u>(80,919)</u>	<u>121,879</u>	<u>40,960</u>
Beginning Cash Balance	<u>128,790</u>	<u>671,711</u>	<u>800,501</u>
Ending Cash Balance	<u>\$ 47,871</u>	<u>\$ 793,590</u>	<u>\$ 841,461</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, 2007**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental:			
General Fund	\$ 5,420,924	\$ 5,374,351	\$ (46,573)
Special Revenue Funds	2,239,979	2,173,303	(66,676)
Debt Service Funds	2,756,385	2,786,315	29,930
Capital Projects Fund	89,571	89,571	0
Proprietary:			
Enterprise Fund	<u>86,658</u>	<u>93,326</u>	<u>6,668</u>
Total (Memorandum Only)	<u>\$10,593,517</u>	<u>\$10,516,866</u>	<u>\$ (76,651)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
COMBINED STATEMENT OF DISBURSEMENT AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2007

Fund Types/Funds	Prior Year Carryover <u>Encumbrances</u>	2007 <u>Appropriations</u>	<u>Total</u>	Actual 2007 <u>Disbursements</u>	Encumbrances Outstanding at 12/31/2007	<u>Total</u>	Variance Favorable (Unfavorable)
Governmental:							
General Fund	\$ 22,970	\$ 5,567,133	\$ 5,590,103	\$ 5,278,316	\$ 71,930	\$ 5,350,246	\$ 239,857
Special Revenue Funds	66,676	2,348,905	2,415,581	1,994,241	33,036	2,027,277	388,304
Debt Service Funds	0	2,807,744	2,807,744	2,837,585	0	2,837,585	(29,841)
Capital Projects Fund	0	21,000	21,000	19,575	0	19,575	1,425
Proprietary:							
Enterprise Fund	<u>7,583</u>	<u>205,887</u>	<u>213,470</u>	<u>174,245</u>	<u>19,443</u>	<u>193,688</u>	<u>19,782</u>
Total (Memorandum Only)	<u>\$ 97,229</u>	<u>\$ 10,950,669</u>	<u>\$ 11,047,898</u>	<u>\$10,303,962</u>	<u>\$ 124,409</u>	<u>\$ 10,428,371</u>	<u>\$ 619,527</u>

The accompanying notes are in integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Oakwood (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 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:

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Fund Accounting** (Continued)

Governmental Funds

General Fund The general fund is the 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.

Special Revenue Fund These funds are used to account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specific purposes. The Village had the following significant special revenue fund:

Street Construction, Maintenance, and Repair Fund This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Debt Service Funds These funds are used to account for the accumulation of resources for, and the payment of, general long term and special assessment debt principal and interest.

Capital Projects Fund This fund is used 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.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

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. Estimated revenues includes estimates of cash to be received (budgeted receipts) plus cash, as of January 1.

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. Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the object level of control. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. Unencumbered appropriations lapse at year end.

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. Encumbrances outstanding at year end are carried over and need not be reappropriated.

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.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. Property, Plant and Equipment

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

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: **ACCOUNTABILITY**

Legal Compliance

Appropriations Exceed Estimated Resources

Ohio Revised Code Section 5705.39 prohibits appropriations from exceeding the total estimated resources. The following funds had appropriations exceeding estimated resources.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i><u>April 30, 2007 Budget</u></i>			
Beautification Fund	1,772	12,500	(10,728)

Expenditures and Encumbrances Exceed Appropriations

Ohio Revised Code Section 5705.41(B) requires that encumbrances be charged against proper appropriations and prohibits the Village from making expenditures unless it has been properly appropriated. The following funds had expenditures plus encumbrances in excess of appropriations.

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Difference</u>
<i><u>November 30, 2007 Budget</u></i>			
Recreation Fund	\$ 135,704	\$ 153,240	\$ (17,536)
Mayor’s Court Fund	6,000	6,148	(148)
General Obligation Bond Retirement Fund	2,641,453	2,703,707	(62,254)

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents, and investments. In addition, investments are separately held by a number of individual funds. Statutes require the reclassification of funds held by the Village into three categories.

“Active” funds are those funds required to be kept in “cash” or “near cash” status for immediate use by the Village. Such funds must be maintained either as cash in the Village Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

“Inactive” funds are those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to, passbook accounts.

“Interim” funds are those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. No-load money market mutual funds consisting exclusively of obligations described in the first two sections and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAROhio); and
8. Banker's acceptances and commercial paper, if training requirements have been met.

Investments is stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Cash on Hand

At December 31, 2007, the Village had \$600 which is held as petty cash.

Deposits

Custodial credit is the risk that, in the event of a bank failure, the Village's deposits or collateral securities may not be returned. The Village's policy is to place deposits with major local banks approved by the Village Council. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Village.

At December 31, 2007, the carrying amount of the Village deposits was \$(21,195) and the bank balance was \$96,935. The 2007 bank balance was covered in full by Federal Depository Insurance. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero balance" nature of the Village's bank accounts. The bank balance was fully insured as of December 31, 2007.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENT** (Continued)

Investments

The Village has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Village records all its investments at cost. All investments are in an internal investment pool.

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.

Description	Risk Category 2	2007 Carrying Amount	Fair Value
Repurchase Agreement	<u>\$ 2,455,000</u>	<u>\$ 2,455,000</u>	<u>\$ 2,455,000</u>

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Village's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risk of the Village's investments are in the table above. The credit ratings were provided from Moody's and Standard and Poor's carrying a rating of AAA. The Village has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment custodial credit risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by a third party custodian designated by the Finance Director. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENT** (Continued)

Concentration of Credit Risk

Safety of principal is the foremost objective of the Village's investment program. Investments of the Village's shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed income generated from the remainder of the portfolio.

NOTE 4: **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. 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.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 4: **PROPERTY TAX** (Continued)

The full tax rate for all Village operations for the year ended December 31, 2007, was \$11.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	\$112,191,300
Public Utility	3,508,360
Tangible Personal	<u>10,809,604</u>
Total Valuation	<u><u>\$126,509,264</u></u>

NOTE 5: **LOCAL INCOME TAX**

This locally levied tax of 2 percent 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 with the Village. Tax receipts are credited to the General Fund and amounted to \$3,596,335 in 2007.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: OUTSTANDING DEBT

A. Note Debt

Note debt at December 31, 2007 consisted of the following:

<u>General Obligation Notes</u>	Balance at <u>12/31/2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2007</u>
Division Street Project	\$ 0	\$ 531,000	\$ 0	\$ 531,000
Broad/Oaks Project	796,000	0	796,000	0
Richmond Road Bikeway Project	<u>1,610,000</u>	<u>1,610,000</u>	<u>1,610,000</u>	<u>1,610,000</u>
Total General Obligation Notes	<u>\$ 2,406,000</u>	<u>\$ 2,141,000</u>	<u>\$ 2,406,000</u>	<u>\$ 2,141,000</u>

B. Bonded Debt

Bonded debt at December 31, 2007 consisted of the following:

	Balance at <u>12/31/2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2007</u>
<u>Governmental Funds</u>				
<i>General Obligation Bonds:</i>				
Street Improvement, 1990 (7.35%)	\$ 2,263	\$ 0	\$ 521	\$ 1,742
Various Purpose Water, 1996 (6.60%)	48,352	0	2,687	45,665
Various Purpose Sewer, 1996 (6.60%)	176,602	0	12,923	163,679
Various Purpose, 2004 (4.00%-5.50%)	<u>1,865,000</u>	<u>0</u>	<u>70,000</u>	<u>1,795,000</u>
<i>Total General Obligation Bonds</i>	<u>2,092,217</u>	<u>0</u>	<u>86,131</u>	<u>2,006,086</u>
<i>Special Assessment Bonds:</i>				
Street Improvement, 1990 (7.375%)	36,737	0	8,479	28,258
Various Purpose Water, 1996 (6.60%)	41,648	0	2,313	39,335
Street Improvement, 1996 (6.60%)	233,398	0	17,077	216,321
Street Improvement, 2003 (2.5%-5.5%)	615,000	0	25,000	590,000
Street Improvement, 2007 (5.25%)	<u>0</u>	<u>650,000</u>	<u>0</u>	<u>650,000</u>
<i>Total Special Assessment Bonds</i>	<u>926,783</u>	<u>650,000</u>	<u>52,869</u>	<u>1,523,914</u>
<i>OPWC Loans:</i>				
Division Street Improvements	0	14,000	0	14,000
Medusa Street Reconstruction	<u>0</u>	<u>15,930</u>	<u>0</u>	<u>15,930</u>
<i>Total OPWC Loans</i>	<u>0</u>	<u>29,930</u>	<u>0</u>	<u>29,930</u>
Total Bonded Debt -				
Governmental Funds	<u>\$3,019,000</u>	<u>\$ 679,930</u>	<u>\$ 139,000</u>	<u>\$ 3,559,930</u>
<u>Proprietary Fund Type</u>				
<i>OPWC Loans:</i>				
Richmond Road	\$ 0	\$ 14,250	\$ 1,069	\$ 13,181
<i>Total OPWC Loans</i>	<u>0</u>	<u>14,250</u>	<u>1,069</u>	<u>13,181</u>
Total Bonded Debt -				
Proprietary Fund Type	<u>\$ 0</u>	<u>\$ 14,250</u>	<u>\$ 1,069</u>	<u>\$ 13,181</u>

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: **OUTSTANDING DEBT** (Continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2007, including interest payments of \$1,826,714 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental</u>	<u>Proprietary</u>
2008	\$ 352,519	\$ 712
2009	349,865	712
2010	331,958	712
2011	347,280	712
2012	343,268	713
2013-2017	1,650,641	3,563
2018-2022	1,357,220	3,563
2023-2027	652,795	2,494
2028	1,098	0
	<u>\$ 5,386,644</u>	<u>\$ 13,181</u>

NOTE 7: **INSURANCE AND RISK MANAGEMENT**

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 percent coinsured.

The Village has established a formal self-insurance program for liabilities arising from employee health and life benefits. This exposure is accounted for the general fund which is responsible for collecting interfund premiums from other Village funds and departments, paying claim settlements and purchasing other specified insurance policies. Reinsurance for any individual loss over \$10,000 is covered by Benefit Services Inc.

NOTE 8: **DEFINED BENEFIT PENSION PLANS**

All of the Village's full-time employees participate in one of two separate retirement plans which are cost-sharing multiple employer defined benefit pension plans.

A. **Public Employees Retirement System**

The following information was provided by the Ohio Public Employees Retirement System (OPERS).

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Public Employees Retirement System** (Continued)

All employees of the Village, except non-administrative full-time police officers and firefighters, participate in one of the three pension plans administered by the OPERS: the Traditional Pension Plan (TO), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing, multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the MD Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The CO Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the TP Plan and the CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD, and CO). The employee contribution rate is 9.5 percent. The 2007 employer contribution rate for local government employer units was 13.85 percent of covered payroll. From January 1 through June 30, 2007, 8.85 percent was allocated to fund the pension and 5.0 percent to fund health care, and from July 1, 2007 through December 31, 2007, 7.85 percent was allocated to fund the pension and 6.0 percent to fund health care. The contribution requirements of plan member and the Village are established and may be amended by the Public Employees Retirement Board. The Village's contributions to OPERS for the years ending December 31, 2007, 2006, and 2005, were \$220,604, \$213,106, and \$196,666, respectively.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 8: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All Village full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund 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 Fund issues a stand-alone financial report that includes financial information and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, or by calling (614) 228-2975.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent, respectively, for police officers and firefighters. The Village’s contributions to the OP&F Fund for the years ending December 31, 2007, 2006, and 2005 were \$148,537, \$138,651, and \$126,161, respectively.

NOTE 9: **POST-EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by OPERS is considered in Other Post-Employment Benefit (OPEB). A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0 percent from January 1 through June 30, 2007 and 6.0 percent from July 1 through December 31, 2007, of covered payroll, which amounted to \$87,645.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 9: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on OPERS' latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor. The investment assumption rate for 2006 was 6.5 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.5 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually plus an additional factor ranging from .50 percent to 5.0 percent over the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4.0 percent (the projected wage inflation rate).

Benefits are advance-funded on an actuarially determined basis. The number of active contributing participants for the TP Plan and the CO Plan was 374,979. The actuarial value of OPERS' net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increase as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 9: POST-EMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Plan (the “OP&F Fund”)

The OP&F Fund provides post-employment 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 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Post-Employment Benefit (OPEB). The Ohio Revised Code provides the health care costs paid from the funds of the OP&F Fund shall be included in the employer’s contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund’s Board of Trustees to provide post-employment health care coverage to all eligible individuals from the employer’s contributions to the OP&F Fund.

The portion of the 2007 covered payroll that was used to fund post-employment health care benefits was \$51,416, representing 6.75 percent of covered payroll. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of post-employment health care benefits. The Fund’s total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

NOTE 10: INTERFUND AND TRANSFERS

As of December 31, 2007, interfund transfers were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 405,030
Special Revenue Funds	174,469	183,909
Debt Service Funds	414,470	0
Totals	<u>\$ 588,939</u>	<u>\$ 588,939</u>

An interfund transfer of \$145,940 was made from the Street Construction, Maintenance, and Repair Fund to the General Obligation Bond Retirement Fund to pay debt relating to street projects. Other interfund transfers were needed to provide additional resources for current operations. All transfers are in compliance with Ohio Revised Code Sections 5705.14-5705.16.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE: 11: **CONTINGENCIES**

The Village is currently involved in 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, 2007.

**VILLAGE OF OAKWOOD, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	N/A	20.205	\$ <u>669,442</u>
Total U.S. Department of Development			<u>669,442</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Cuyahoga County Department of Development</i>			
Community Development Block Grant	N/A	14.228	<u>150,000</u>
Total U.S. Department of Housing and Urban Development			<u>150,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 819,442</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

VILLAGE OF OAKWOOD, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards of the Village presents the activity of all federal financial assistance programs to the Village. The Village's reporting entity is defined in Note 1 to the Village's basic financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.

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**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**

To the Members of Village Council
Village of Oakwood, Ohio

We have audited the financial statements of the Village of Oakwood, Ohio, as of and for the year ended December 31, 2007, and have issued our report thereon dated October 15, 2008. 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 of Oakwood, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Oakwood, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Oakwood, Ohio's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Oakwood, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village of Oakwood, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Village of Oakwood, Ohio's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as **Item 2007-1** and **Item 2007-2** to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Oakwood, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Oakwood, Ohio'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 that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as **Item 2007-2**.

We noted certain matters that we reported to the Village of Oakwood, Ohio, in a separate letter dated October 15, 2008.

The Village of Oakwood, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Village of Oakwood, Ohio's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Village Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

October 15, 2008

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of Village Council
Village of Oakwood, Ohio

Compliance

We have audited the compliance of the Village of Oakwood, Ohio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The Village of Oakwood's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village of Oakwood, Ohio's management. Our responsibility is to express an opinion on the Village of Oakwood, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Oakwood, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Oakwood, Ohio's compliance with those requirements.

In our opinion, the Village of Oakwood, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Village of Oakwood, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Oakwood, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Oakwood, Ohio's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Village Council, others within the entity, and federal awarding agencies and pass-through entities and is not to be and should not be used by any other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

October 15, 2008

**VILLAGE OF OAKWOOD, OHIO
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	Yes
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2007(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list): Highway Planning and Construction - CFDA #20.205	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: > all others
2007(ix)	Low Risk Auditee?	No

**VILLAGE OF OAKWOOD, OHIO
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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

Item 2007-1: Bank Reconciliations

Condition/Criteria

Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements. Based on an audit of the cash function for the Village, we noted that the Village's bank reconciliations for the 2007 year end for the operating and payroll bank accounts were not completed until September 2008. This was due to the Village converting to new software for payroll.

Cause/Effect

The bank reconciliations were not performed timely. Not reconciling the accounts on a monthly basis means that errors or other problems might not be reconciled and resolved on a timely basis. The Village indicated that the lack of timely reconciliations was a result of converting to a new software package and once the new software is fully operational, reconciliations should be completed in a timely manner.

Recommendation

We recommend that the Village exercise due diligence in performing bank reconciliations in a timely manner. We also recommend that management review the bank reconciliations and ensure that unusual items on the bank statement are investigated on a timely basis.

Client Response

Once the new payroll software is fully operational, the Village will perform all reconciliations on a more timely basis.

**VILLAGE OF OAKWOOD, OHIO
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

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

Item 2007-2: Certificate of Fiscal Officer

Condition/Criteria

Ohio Revised Code Section 5705.41(D)(1) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no check shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

Cause/Effect

Some of the Village's purchases tested were initiated without obtaining the prior certificate of the fiscal officer. Failure to properly encumber funds could result in overspending funds and negative fund balances.

Recommendation

We recommend that Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Revised Code Section 5705.41 (D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Village should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response

The Village will implement the above recommendation in future years in order to comply with Ohio Revised Code Section 5705.41 (D)(1).

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VILLAGE OF OAKWOOD, OHIO
STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007**

The prior audit report, as of December 31, 2006 and 2005, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 31, 2008**