

CITY OF OAKWOOD, OHIO

General Purpose Financial Statements

December 31, 2002

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Members of the City Council
and City Manager
City of Oakwood
30 Park Avenue
Dayton, Ohio 45419

We have reviewed the Independent Auditor's Report of the City of Oakwood, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2002 to December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 13, 2003

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CITY OF OAKWOOD, OHIO

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

Members of the City Council
and City Manager
City of Oakwood, Ohio

We have audited the accompanying general-purpose financial statements of the City of Oakwood, Ohio, as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Oakwood's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Oakwood, Ohio as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2003 on our consideration of the City of Oakwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Clark, Schaefer, Hackett & Co.
Springfield, Ohio
June 17, 2003

CITY OF OAKWOOD
Combined Balance Sheet -
All Fund Types and Account Groups
December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Debits:</u>				
Assets:				
Equity in pooled cash and cash equivalents	\$ 15,487,642	2,770,583	3,174,639	-
Cash and cash equivalents with fiscal agents	-	-	-	-
Receivables:				
Taxes	2,765,836	63,801	-	-
Accounts	-	70,823	-	-
Special assessments	-	117,174	14,205	-
Accrued interest	208,098	5,065	-	-
Intergovernmental receivable	503,211	109,447	-	-
Due from other funds	11,122	1,685	-	-
Supplies inventory	23,608	53,242	-	-
Prepaid items	16,573	9,202	-	-
Land	-	-	-	-
Improvement to land	-	-	-	-
Buildings	-	-	-	-
Equipment	-	-	-	-
Vehicles	-	-	-	-
Water and sewer lines	-	-	-	-
Construction in progress	-	-	-	-
Less: accumulated depreciation	-	-	-	-
Other debits:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 19,016,090	3,201,022	3,188,844	-

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
2,423,924	315,503	309,018	-	-	24,481,309
-	-	20,415	-	-	20,415
-	-	-	-	-	2,829,637
481,584	-	-	-	-	552,407
-	-	-	-	-	131,379
24,089	-	1,678	-	-	238,930
-	-	-	-	-	612,658
-	-	-	-	-	12,807
50,319	13,274	-	-	-	140,443
2,723	366	-	-	-	28,864
314,415	25,840	-	342,189	-	682,444
82,000	255,800	-	829,600	-	1,167,400
609,600	5,820,575	-	705,600	-	7,135,775
2,368,436	133,170	-	1,276,743	-	3,778,349
380,054	79,461	-	2,127,306	-	2,586,821
4,210,242	-	-	-	-	4,210,242
195,499	-	-	952,082	-	1,147,581
(5,026,045)	(624,313)	-	-	-	(5,650,358)
-	-	-	-	1,259,403	1,259,403
<u>6,116,840</u>	<u>6,019,676</u>	<u>331,111</u>	<u>6,233,520</u>	<u>1,259,403</u>	<u>45,366,506</u>

(Continued)

CITY OF OAKWOOD
Combined Balance Sheet -
All Fund Types and Account Groups
December 31, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities, Fund Equity and Other Credits</u>				
Liabilities:				
Accounts payable	\$ 50,197	33,194	-	-
Contracts payable	38,828	-	254,372	-
Accrued salaries payable	134,007	43,687	-	-
Accrued interest payable	68,277	-	-	-
Due to other funds	-	-	-	-
Intergovernmental payable	89,290	44,453	-	-
Undistributed monies	-	-	-	-
Deferred revenue	2,757,574	319,861	14,205	-
Compensated absences payable	16,457	2,397	-	-
Notes payable	3,900,000	-	-	-
Police and fire pension liability	-	-	-	-
Total liabilities	7,054,630	443,592	268,577	-
Fund equity and other credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	4,869,319	153,657	678,670	-
Reserved for supplies inventory	23,608	53,242	-	-
Reserved for endowment	-	-	-	-
Unreserved:				
Designated	-	212,360	-	-
Unreserved	7,068,533	2,338,171	2,241,597	-
Total fund equity and other credits	11,961,460	2,757,430	2,920,267	-
Total liabilities, fund equity and other credits	\$ 19,016,090	3,201,022	3,188,844	-

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
13,646	-	-	-	-	97,037
15,178	-	-	-	-	308,378
17,475	4,293	-	-	-	199,462
-	-	-	-	-	68,277
-	-	12,807	-	-	12,807
114,009	24,231	3,916	-	214,853	490,752
-	-	3,692	-	-	3,692
-	-	-	-	-	3,091,640
36,622	8,301	-	-	414,871	478,648
349,094	-	-	-	-	4,249,094
-	-	-	-	629,679	629,679
<u>546,024</u>	<u>36,825</u>	<u>20,415</u>	-	<u>1,259,403</u>	<u>9,629,466</u>
-	-	-	6,233,520	-	6,233,520
5,570,816	5,982,851	-	-	-	11,553,667
-	-	-	-	-	5,701,646
-	-	-	-	-	76,850
-	-	50,000	-	-	50,000
-	-	-	-	-	212,360
-	-	260,696	-	-	11,908,997
<u>5,570,816</u>	<u>5,982,851</u>	<u>310,696</u>	<u>6,233,520</u>	-	<u>35,737,040</u>
<u>6,116,840</u>	<u>6,019,676</u>	<u>331,111</u>	<u>6,233,520</u>	<u>1,259,403</u>	<u>45,366,506</u>

CITY OF OAKWOOD, OHIO
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances -
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2002

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Capital Projects	Debt Service	Expensible Trust	(Memorandum Only)
Revenues:						
Municipal income taxes	\$ 4,549,403	-	-	-	-	4,549,403
Property and other taxes	1,440,903	193,863	-	-	-	1,634,766
Intergovernmental	5,952,043	274,112	57,382	-	-	6,283,537
Special assessments	-	572,834	7,885	-	-	580,719
Charges for services	222,631	279,015	7,774	-	-	509,420
Fines, licenses and permits	187,087	64,553	-	-	-	251,640
Interest	1,050,245	20,245	-	-	8,124	1,078,614
Donations	6,184	19,400	-	-	1,000	26,584
Other	16,593	3,291	300	-	-	20,184
Total revenues	13,425,089	1,427,313	73,341	-	9,124	14,934,867
Expenditures:						
Current:						
Security of persons and property	3,406,840	223,002	-	-	-	3,629,842
Public health services	-	82,522	-	-	-	82,522
Leisure time activities	-	884,906	-	-	-	884,906
Community environment	356,696	1,113,268	-	-	-	1,469,964
Transportation	-	721,825	-	-	-	721,825
General government	2,500,392	9,516	1,123	-	-	2,511,031
Capital outlay	436,969	-	1,185,040	-	-	1,622,009
Debt service:						
Interest and fiscal charges	61,635	-	-	-	-	61,635
Total expenditures	6,762,532	3,035,039	1,186,163	-	-	10,983,734
Excess of revenues over (under) expenditures	6,662,557	(1,607,726)	(1,112,822)	-	9,124	3,951,133
Other financing sources (uses):						
Operating transfers-in	312,123	2,839,090	2,647,599	-	-	5,798,812
Operating transfers-out	(4,233,032)	(1,253,657)	-	(168,455)	-	(5,655,144)
Total other financing sources (uses)	(3,920,909)	1,585,433	2,647,599	(168,455)	-	143,668
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,741,648	(22,293)	1,534,777	(168,455)	9,124	4,094,801
Fund balance, beginning of year	9,217,135	2,782,553	1,385,490	168,455	249,739	13,803,372
Increase (decrease) in reserve for inventory	2,677	(2,830)	-	-	-	(153)
Fund balance, end of year	\$ 11,961,460	2,757,430	2,920,267	-	258,863	17,898,020

See accompanying notes to the general purpose financial statements.

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CITY OF OAKWOOD, OHIO
Combined Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis -
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2002

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)
Revenues:						
Municipal income taxes	\$ 4,340,000	4,617,104	277,104	-	-	-
Property and other taxes	1,415,264	1,448,653	33,389	186,200	194,065	7,865
Intergovernmental	5,588,581	5,950,787	362,206	220,800	274,030	53,230
Special assessments	-	-	-	142,000	137,950	(4,050)
Charges for services	109,250	222,631	113,381	649,850	714,903	65,053
Fines, licenses and permits	168,500	185,460	16,960	75,625	64,250	(11,375)
Interest	486,400	912,491	426,091	19,000	22,088	3,088
Donations	8,400	6,184	(2,216)	15,750	19,400	3,650
Other	11,000	16,594	5,594	1,500	3,291	1,791
Total revenues	12,127,395	13,359,904	1,232,509	1,310,725	1,429,977	119,252
Expenditures:						
Current:						
Security of persons and property	3,876,603	3,403,532	473,071	250,592	225,271	25,321
Public health services	-	-	-	111,430	83,862	27,568
Leisure time activities	-	-	-	1,250,742	937,169	313,573
Community environment	507,945	358,271	149,674	1,433,190	1,182,237	250,953
Transportation	-	-	-	1,000,793	758,876	241,917
General government	3,981,140	3,148,984	832,156	22,000	10,679	11,321
Capital outlay	5,140,178	4,843,852	296,326	42,000	-	42,000
Debt service:						
Principal retirement	2,600,000	2,600,000	-	-	-	-
Interest and fiscal charges	90,000	89,451	549	-	-	-
Total expenditures	16,195,866	14,444,090	1,751,776	4,110,747	3,198,094	912,653
Excess of revenues over (under) expenditures	(4,068,471)	(1,084,186)	2,984,285	(2,800,022)	(1,768,117)	1,031,905
Other financing sources (uses):						
Operating transfers-in	318,454	312,122	(6,332)	3,143,590	2,839,090	(304,500)
Operating transfers-out	(4,532,532)	(4,233,032)	299,500	(1,253,657)	(1,253,657)	-
Proceeds from the sale of notes	4,400,000	3,900,000	(500,000)	-	-	-
Total other financing sources (uses)	185,922	(20,910)	(206,832)	1,889,933	1,585,433	(304,500)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,882,549)	(1,105,096)	2,777,453	(910,089)	(182,684)	727,405
Fund balance, beginning of year	10,834,181	10,834,181	-	2,564,876	2,564,876	-
Prior year encumbrances appropriated	697,150	697,150	-	190,803	190,803	-
Fund balance, end of year	\$ 7,648,782	10,426,235	2,777,453	1,845,590	2,572,995	727,405

See accompanying notes to the general purpose financial statements.

Capital Project Fund			Debt Service Fund			Expendable Trust Fund		
Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
57,382	57,382	-	-	-	-	-	-	-
-	7,774	7,774	-	-	-	-	-	-
50,050	7,885	(42,165)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	9,600	9,315	(285)
-	300	300	-	-	-	-	1,000	1,000
-	-	-	-	-	-	-	-	-
<u>107,432</u>	<u>73,341</u>	<u>(34,091)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,600</u>	<u>10,315</u>	<u>715</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,500	-	7,500
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,306	1,165	141	-	-	-	-	-	-
2,364,811	1,915,321	449,490	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,366,117</u>	<u>1,916,486</u>	<u>449,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>7,500</u>
<u>(2,258,685)</u>	<u>(1,843,145)</u>	<u>415,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,100</u>	<u>10,315</u>	<u>8,215</u>
2,492,599	2,647,599	155,000	-	-	-	-	-	-
-	-	-	(168,454)	(168,454)	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,492,599</u>	<u>2,647,599</u>	<u>155,000</u>	<u>(168,454)</u>	<u>(168,454)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
233,914	804,454	570,540	(168,454)	(168,454)	-	2,100	10,315	8,215
1,155,825	1,155,825	-	168,454	168,454	-	246,078	246,078	-
281,317	281,317	-	-	-	-	-	-	-
<u>1,671,056</u>	<u>2,241,596</u>	<u>570,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,178</u>	<u>256,393</u>	<u>8,215</u>

CITY OF OAKWOOD, OHIO
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings -
All Proprietary Fund Types and Non-Expendable Trust Fund
For the Year Ended December 31, 2002

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust	
Operating revenues:				
Charges for services	\$ 2,123,523	487,549	-	2,611,072
Interest income	-	-	1,833	1,833
Donations	-	-	50,000	50,000
Other operating revenue	13,750	8,290	-	22,040
Total operating revenue	2,137,273	495,839	51,833	2,684,945
Operating expenses:				
Personal services	602,364	174,613	-	776,977
Contractual services	1,206,205	91,198	-	1,297,403
Supplies and materials	89,451	112,771	-	202,222
Claims	-	11,727	-	11,727
Depreciation	295,224	153,462	-	448,686
Total operating expenses	2,193,244	543,771	-	2,737,015
Operating income (loss)	(55,971)	(47,932)	51,833	(52,070)
Non-operating revenues (expenses):				
Interest	94,446	-	-	94,446
Special assessments	37,100	-	-	37,100
Total non-operating revenues (expenses)	131,546	-	-	131,546
Income (loss) before operating transfers	75,575	(47,932)	51,833	79,476
Operating transfers-out	(143,668)	-	-	(143,668)
Net income (loss)	(68,093)	(47,932)	51,833	(64,192)
Retained earnings, beginning of year, as restated	5,638,909	6,030,783	-	11,669,692
Retained earnings, end of year	\$ 5,570,816	5,982,851	51,833	11,605,500

See accompanying notes to the general purpose financial statements.

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CITY OF OAKWOOD, OHIO
 Combined Statement of Revenues, Expenses and Changes in
 Fund Equity - Budget and Actual - Budgetary (Non-GAAP) Basis -
 All Proprietary Fund Types and Non-Expendable Trust Fund
 For the Year Ended December 31, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)
Revenues:			
Charges for services	\$ 1,976,250	2,085,715	109,465
Donations	-	-	-
Interest	148,000	103,212	(44,788)
Special assessments	12,000	37,100	25,100
Miscellaneous	13,500	13,750	250
Total revenues	2,149,750	2,239,777	90,027
Expenses:			
Personal services	724,428	599,107	125,321
Other expenses:			
Contractual services	1,578,651	1,354,739	223,912
Claims	-	-	-
Supplies and materials	143,242	95,431	47,811
Capital outlay	599,789	461,849	137,940
Debt service:			
Principal retirement	125,859	125,859	-
Interest and fiscal charges	4,000	3,400	600
Total expenditures	3,175,969	2,640,385	535,584
Excess of revenues over (under) expenses before operating transfers	(1,026,219)	(400,608)	625,611
Operating transfers-out	(150,000)	(143,668)	6,332
Excess of revenues under expenses and operating transfers	(1,176,219)	(544,276)	631,943
Fund balance at beginning of year	2,314,076	2,314,076	-
Prior year encumbrances appropriated	292,190	292,190	-
Fund balance at end of year	\$ 1,430,047	2,061,990	631,943

See accompanying notes to the general purpose financial statements.

Internal Service Funds			Non-Expendable Trust Fund		
Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)
650,000	487,549	(162,451)	-	-	-
-	-	-	50,000	50,000	-
-	-	-	2,000	1,833	(167)
-	-	-	-	-	-
1,800	8,290	6,490	-	-	-
<u>651,800</u>	<u>495,839</u>	<u>(155,961)</u>	<u>52,000</u>	<u>51,833</u>	<u>(167)</u>
193,605	172,765	20,840	-	-	-
198,421	106,898	91,523	-	-	-
13,000	11,727	1,273	-	-	-
326,520	219,373	107,147	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>731,546</u>	<u>510,763</u>	<u>220,783</u>	<u>-</u>	<u>-</u>	<u>-</u>
(79,746)	(14,924)	64,822	52,000	51,833	(167)
-	-	-	-	-	-
(79,746)	(14,924)	64,822	52,000	51,833	(167)
153,821	153,821	-	-	-	-
99,470	99,470	-	-	-	-
<u>173,545</u>	<u>238,367</u>	<u>64,822</u>	<u>52,000</u>	<u>51,833</u>	<u>(167)</u>

CITY OF OAKWOOD, OHIO
Combined Statement of Cash Flows -
All Proprietary Fund Types and Non-Expendable Trust Fund
For the Year Ended December 31, 2002

	Proprietary Fund Type		Fiduciary	Totals
	Enterprise	Internal Service	Fund Type	(Memorandum Only)
			Non-expendable Trust	
Cash flows from operating activities:				
Cash received from customers	\$ 2,099,465	-	-	2,099,465
Cash received from quasi-external transactions from other funds	-	495,839	-	495,839
Cash payments to employees for services and benefits	(582,086)	(172,765)	-	(754,851)
Cash payments to suppliers for goods and services	(1,295,286)	(209,161)	-	(1,504,447)
Net cash provided by operating activities	<u>222,093</u>	<u>113,913</u>	<u>-</u>	<u>336,006</u>
Cash flows from noncapital financing activities:				
Special assessments	37,100	-	-	37,100
Donation of trust principal	-	-	50,000	50,000
Transfers-out	(143,668)	-	-	(143,668)
Net cash provided (used) by noncapital financing activities	<u>(106,568)</u>	<u>-</u>	<u>50,000</u>	<u>(56,568)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(283,231)	(52,108)	-	(335,339)
Principal paid on notes	(125,859)	-	-	(125,859)
Interest paid on notes	(3,400)	-	-	(3,400)
Net cash used in capital and related financing activities	<u>(412,490)</u>	<u>(52,108)</u>	<u>-</u>	<u>(464,598)</u>
Cash flows from investing activities:				
Market gain (loss) on investments	11,624	-	-	11,624
Interest and dividends on investments	103,212	-	1,833	105,045
Net cash provided by investing activities	<u>114,836</u>	<u>-</u>	<u>1,833</u>	<u>116,669</u>
Net increase (decrease) in cash and cash equivalents	(182,129)	61,805	51,833	(68,491)
Equity in pooled cash and cash equivalents beginning of year	<u>2,606,053</u>	<u>253,698</u>	<u>-</u>	<u>2,859,751</u>
Equity in pooled cash and cash equivalents end of year	<u>\$ 2,423,924</u>	<u>315,503</u>	<u>51,833</u>	<u>2,791,260</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (55,971)	(47,932)	51,833	(52,070)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	295,224	153,462	-	448,686
Interest reported by operating income	-	-	(1,833)	(1,833)
Trust donation reported by operating activities	-	-	(50,000)	(50,000)
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	(37,808)	777	-	(37,031)
Decrease in supplies inventory	5,459	-	-	5,459
(Increase) in prepaid items	(1,957)	(231)	-	(2,188)
(Decrease) in accounts payable	(8,808)	(10,767)	-	(19,575)
Increase in contracts payable	15,178	-	-	15,178
Increase (decrease) in accrued salaries payable	(588)	384	-	(204)
Increase in intergovernmental payable	4,485	18,034	-	22,519
Increase in compensated absences payable	6,879	186	-	7,065
Net cash provided by operating activities	<u>\$ 222,093</u>	<u>113,913</u>	<u>-</u>	<u>336,006</u>

See accompanying notes to the general purpose financial statements.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

1. Reporting Entity And Basis Of Presentation:

The City of Oakwood (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated on July 15, 1907. A charter was first adopted on July 1, 1960.

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

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which provide various services including police and fire protection, rescue squad, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare, water, sewer and refuse collection. Council and the City Manager are directly responsible for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. No component units were present in 2002.

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them and the entities are not fiscally dependent on the City:

The Wright Public Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Being a school district library, the Oakwood City School District is the taxing authority for the library.

Oakwood City School District is a distinct political subdivision of the State of Ohio operated under the direction of an elected school board which possesses its own budgeting and taxing authority and which is not fiscally dependent on the City.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable and available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types.

General Fund - This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the charter of the City.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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.

Proprietary Fund Types

The proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered or

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

financed primarily through user charges; or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. The City's fiduciary funds include an expendable trust fund, a non-expendable trust fund and an agency fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are used to account for trust principal, which may not be expended. These trust funds are accounted for essentially the same as proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City other than those accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is used to account for all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary funds.

2. Summary Of Significant Accounting Policies:

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type and non-expendable trust funds operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is thirty-one days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income tax, property tax, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the tax imposed takes place and revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income tax, state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), fines and forfeitures, and investment earnings.

The City reports deferred revenues in its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In a subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes and income tax, state-levied shared taxes (including local government assistance, gasoline tax, homestead/rollback and vehicle license tax), measurable as of December 31, 2002, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and non-expendable trust fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. Unbilled service charges receivables are recognized as revenue at year-end.

Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level (personal services, other expenditures and transfers) within each department. Budgetary modification may be made only by resolution of the City Council.

Budget

A tax budget of estimated revenues and expenditures for all funds 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.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
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ordinance generally controls expenditures at the departmental level by personal services, other expenditures and transfers may be amended or supplemented only by council during the year as required. During the year, one supplemental appropriation measure was legally passed. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditure for governmental funds and reported in the notes to the general-purpose financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Money for all funds, including proprietary funds, is maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2002, investments were limited to a certificate of deposit, STAROhio and various federal securities. STAROhio is an investment pool managed by the State of Ohio's Treasurer's Office, which allows governments within Ohio to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2002. The certificate of deposit and federal securities are valued at fair market value, which is based upon quoted market prices.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and investments of the cash management pool are considered to be cash equivalents.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned during 2002 amounted to \$1,174,893. This amount includes an increase of \$111,424 to reflect the market value of the City's investments as required under Governmental Accounting Standards Board (GASB) Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Short-Term Interfund Receivables/Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" and "due to other funds" on the balance sheet.

Fixed Assets and Depreciation

Fixed assets are valued at original acquisition cost when such information was available. In cases where information supporting original costs was not available, estimated historical costs are assigned. For certain fixed assets, the estimates were determined by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair value on the date donated.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, which extend the useful life or increase the capacity or operating efficiency, are capitalized at cost in the general fixed assets account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized or reported as these assets are immovable and of value only to the government.

Proprietary Fund Fixed Assets

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight-line method over the assets' estimated useful life. The assets of the enterprise funds are depreciated on the following basis:

Buildings	50 years
Land improvements other than buildings	10-15 years
Equipment	10-20 years
Vehicles	5-20 years
Infrastructure:	
Sewer and Water Lines	50 years

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
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Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued based on guidelines set forth in GASB Statement No. 16 "Accounting for Compensated Absences". The vesting method was implemented and states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the City records a liability for accumulated, unpaid vacation and sick leave for eligible employees in the period in which the employee becomes eligible to receive payment. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. This amount is recorded as a fund liability, while the balance of the liability is recorded in the general long-term obligations account group.

In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and the enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account group.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Debt Service Fund
Police Pension Liability	General Fund
Compensated Absences	Will be paid by the fund from which the employee's salary is paid.
Intergovernmental Payable (Pension Liability)	Will be paid by the fund from which the employee's salary is paid.

Reservations and Designation of Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, endowment and supplies inventory. The designation of fund balance in the special revenue fund type is for the purpose of restricting, as required by city council, Smith Memorial Garden assets for the future maintenance of the grounds.

Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as operating transfers, which are approved through the budgetary process. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

Self-Insurance Fund

The City created a self-insurance internal service fund for the purpose of paying employee health benefits. Contributions to the fund are made in lieu of insurance premium payments. In 1995, the City discontinued the self-insurance program for health benefits. Premiums are now paid to a private insurance carrier that provides coverage. The self-insurance fund will continue to pay for vision benefits. Claims Incurred But Not Reported are not recognized as a liability per GASB 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance* as they are immaterial to the general purpose financial statements.

Financial Disclosures

The City's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. Budget To GAAP Reconciliation:

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual, Budgetary (Non-GAAP) Basis, All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity, Budget and Actual, Budgetary (Non-GAAP) Basis, All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year ended December 31, 2002 on the GAAP basis to the budget basis are as follows:

Excess (Deficiency) of Revenues and
Other Financing Sources Over/(Under)
Expenditures and Other Financing Uses

Governmental Fund Types and Expendable Trust Fund

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Expendable Trust Fund</u>
GAAP basis	\$ 2,741,648	(22,293)	1,534,777	(168,455)	9,124
Revenue accruals	(65,185)	2,664	-	-	1,191
Expenditure accruals	(2,717,021)	32,143	202,719	-	-
Encumbrances	(4,964,538)	(195,198)	(933,042)	-	-
Note proceeds	3,900,000	-	-	-	-
Transfers-in	-	-	-	1	-
Budget basis	\$ <u>(1,105,096)</u>	<u>(182,684)</u>	<u>804,454</u>	<u>(168,454)</u>	<u>10,315</u>

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
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Net Income (Loss) (Excess of Revenues Over (Under)
Expenses and Operating Transfers)

	<u>Proprietary Fund Types</u>		
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust Fund</u>
GAAP basis (as reported)	\$ (68,093)	(47,932)	51,833
Adjustments:			
Revenue accruals	(29,042)	-	-
Expense accruals	(108,610)	8,383	-
Capital outlay	(283,231)	(52,108)	-
Depreciation	295,224	153,462	-
Encumbrances	<u>(350,524)</u>	<u>(76,729)</u>	<u>-</u>
Budget basis	\$ <u>(544,276)</u>	<u>(14,924)</u>	<u>51,833</u>

4. Change in Accounting Principal

The City implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues" for the year ended December 31, 2001. One requirement of these statements was the elimination of contributed capital. The City still reported contributed capital as of December 31, 2001 for its proprietary funds. As a result, the beginning retained earnings for the enterprise and internal service fund types were increased by the amount previously reported for contributed capital, \$1,314,077 and \$5,939,750, respectively.

These adjustments had no effect on net income as reported at December 31, 2001.

5. Deposits and Investments:

Policies and Procedures

Monies of substantially all funds of the City are maintained or invested in a common group of bank accounts, STAROhio, a certificate of deposit and various federal securities. This is done in order to maximize the rate of interest that can be earned on invested funds. Interest income is distributed to the funds according to the charter and statutory requirements.

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

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

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

Deposits

At year-end, the carrying amount of the City's deposits was \$1,407,198 and the bank balance was \$1,538,720. Of the bank balance, \$228,069 was covered by FDIC and the remaining amounts were uninsured and uncollateralized as defined by GASB Statement No. 3 because the securities held as collateral by the financial institutions or their trust departments or agencies were in the financial institutions' names. As authorized by state statute, the pledging bank has established an investment and securities pool to collateralize all public deposits. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

GASB Statement No. 3 "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*" requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the City holds the securities. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the City's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent in the City's name.

STAROhio, an investment fund operated by the Ohio State Treasurer is unclassified since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Government securities	\$ 19,985,571	\$ 19,985,571	\$ 19,985,571
Unclassifieds:			
STAROhio	<u>-</u>	<u>3,108,955</u>	<u>3,108,955</u>
Total	<u>\$ 19,985,571</u>	<u>\$ 23,094,526</u>	<u>\$ 23,094,526</u>

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per GASB Statement No. 3 is as follows:

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 24,501,724	\$ -
Investments:		
Government securities	(19,985,571)	19,985,571
STAROhio	<u>(3,108,955)</u>	<u>3,108,955</u>
GASB Statement 3	\$ <u>1,407,198</u>	\$ <u>23,094,526</u>

6. Property Taxes:

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. The County Auditor, at 35 percent of appraised market value, establishes assessed values. All property is required to be reevaluated every six years. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. 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 listed on December 31 of the prior year, and at 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 88 percent of its true value; public utility real property is assessed at 35 percent of 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 City of Oakwood. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2002 was \$11.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 240,246,250
Public Utility Tangible Personal Property Assessed Valuation	3,678,190
Tangible Personal Property Assessed Valuation	<u>2,573,525</u>
Total	\$ <u>246,497,965</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2002. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

The receivable is therefore offset by a credit to deferred revenue.

7. Income Tax:

The City levies a municipal income tax of two and one-half percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations and then transferred to subsidize other funds. Income tax revenue for 2002 was \$4,549,403.

8. Receivables:

Receivables at December 31, 2002 consisted of taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments and utility accounts. All receivables are considered fully collectible. Utility Accounts Receivable at December 31, 2002 was \$481,584.

A summary of intergovernmental receivables follows:

<u>General Fund:</u>	
Inheritance tax	\$ 270,685
Homestead/Rollback	103,604
Local government assistance	<u>128,922</u>
Total general fund	503,211
 <u>Special Revenue Funds:</u>	
 <u>Police Pension</u>	
Homestead/Rollback	4,441
 <u>State Highway Fund</u>	
Gas tax	6,030
Motor vehicle license tax	1,302
Permissive tax	546
 <u>Street Maintenance and Repair Fund</u>	
Gas tax	74,358
Motor vehicle license tax	16,050
Permissive tax	<u>6,720</u>
Total special revenue funds	<u>109,447</u>
 Total All Funds	 \$ <u>612,658</u>

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

By statute, local property taxes are reduced 10%, with additional reductions for the elderly and the disabled. The State of Ohio will pay the amount of these reductions, estimated to be approximately \$210,619, to the City in 2003.

9. Fixed Assets:

Changes in general fixed assets during the year ended December 31, 2002 were as follows:

<u>Class</u>	Balance December 31, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2002</u>
Land	\$ 342,189	-	-	342,189
Improvements to Land	829,600	-	-	829,600
Buildings	705,600	-	-	705,600
Equipment	1,083,883	219,369	26,509	1,276,743
Vehicles	1,894,799	326,546	94,039	2,127,306
Construction in Progress	-	<u>952,082</u>	-	<u>952,082</u>
Totals	\$ <u>4,856,071</u>	<u>1,497,997</u>	<u>120,548</u>	<u>6,233,520</u>

10. Defined Benefit Pension Plans:

Both the Police and Firemen's Disability and Pension Fund and the Public Employees Retirement System are reported using GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers". Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Police and Firemen's Disability and Pension Fund or the Public Employees Retirement System of Ohio (PERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

A. Public Employees Retirement System

The City of Oakwood participates in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by making a written request to 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 employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City's contribution rate for 2001 was 13.55% of covered payroll. The City's contributions to the plans for the years ending December 31, 2002, 2001, and 2000 were \$410,320, \$388,830, and \$295,680, respectively. The unpaid contribution for 2002 is \$102,580 with \$81,994 recorded in the general long-term debt account group and \$20,586 recorded in the proprietary funds. Total contributions for 2002 represented 75% of required contributions for the year, with 100% being contributed for 2001 and 2000.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

B. Police and Firemen's Disability and Pension Fund

The City of Oakwood contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2002, 2001 and 2000 were \$497,316, \$382,720 and \$349,445. The unpaid contribution for 2002 is \$149,195 and is recorded in the general long-term debt account group. Total contributions for 2002 represented 70% of required contributions for the year, with 100% being contributed for 2001 and 2000.

11. Postemployment Benefits:

A. Public Employees Retirement System

The Public Employees Retirement System (PERS) of Ohio 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 available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute.

The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

In December 2001, the OPERS' Board adopted the Health Care "Choices" Plan in its continuing efforts to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan. The benefit recipient will be free to select the option that best meets

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply towards specific medical expenses, much like a Medical Spending Account.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$151,408. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2001 (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

B. Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund 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 persons. An eligible dependent child is any child under the age of eighteen whether or not he is attending school or under twenty-one if attending full-time or on a 2/3 basis. The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care cost paid from the fund shall be included in the employer's contribution rate. The total police employer contribution is 19.5 percent of covered payroll.

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 7.50% and 7.75% of covered payroll in 2001 and 2002, 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.

The statewide number of participants eligible to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, were 13,174 for Police and 10,239 for Firefighters. The City's annual contribution for 2002 that were used to fund postemployment benefits was \$174,061. The fund's total health care expenses for the year ending December 31, 2001 was \$122,298,771, which was net of members contributions of \$6,874,699.

C. Other Employee Benefits:

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$314,675 at December 31, 2002.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of ten hours per month. A maximum of 135 days of sick leave can be carried forward from year to year. Upon qualifying to retire under one of the two pension systems, an employee who has unused accumulated sick leave of 60 days or more is eligible to be paid for a portion of these hours. For the first 119 days the employee will receive one day's pay for every three days accrued. Any hours accumulated over 119 days will be paid at a rate of one day's pay for every two days accrued. The total obligation for sick leave accrual for the City as a whole as of December 31, 2002 was \$163,973.

12. Risk Management:

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2002, the City contracted with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
Property insurance	\$ 20,660,568	1,000
General liability	5,000,000	0
Police liability	5,000,000	2,500
Wrongful acts	5,000,000	2,500
Crime	25,000	0
Inland marine	584,811	500
Fire vehicle	392,500	1,000
Automobile	5,000,000	1,000*
EDP	168,058	500
Bond	100,000	0

* on selected vehicles. Others have no deductible

The City also purchases an umbrella policy, which covers an additional liability of \$5,000,000. There have been no significant reductions in coverage as compared to the prior year. Settled claims have not exceeded this commercial coverage in any of the past five years.

The City joined a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers' compensation rating purposes. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

Employees have a choice in two types of private health insurance carriers; Community Choice and HMP. Payments are made to the carrier by the City on behalf of the employees. Dental benefits are also provided Anthem Blue Cross with partial payments from employees. Life Insurance is provided by the City through Community National. Vision benefits will continue to be provided through self-insurance.

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

13. Long-Term Obligations:

Long-term obligations at December 31, 2002 were as follows:

General Long-Term Obligations

	Balance December 31, <u>2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2002</u>
Compensated Absences	\$ 386,848	11,119	-	414,871
Police & Fire Pension	638,574	-	8,895	629,679
Intergovernmental	<u>203,734</u>	<u>28,023</u>	-	<u>214,853</u>
Total	\$ <u>1,229,156</u>	<u>39,142</u>	<u>8,895</u>	<u>1,259,403</u>

Enterprise Funds

Ohio Public Works Sewer Loan	\$ <u>374,953</u>	<u> -</u>	<u>25,859</u>	<u>349,094</u>
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The intergovernmental payable represents the employer's portion of pension that was not paid until the following year.

The obligation listed above in the General Long-Term Obligations will be retired from the General Fund and those funds from which the employees are paid.

The City received an interest free loan through the State of Ohio's Public Works Commission Issue II program. The money was spent on sewer improvements to the existing sewer system and will be repaid over twenty years.

As of December 31, 2002, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$22,934,556. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2002 were:

<u>Year</u>	<u>Police and Fire Pension Liability</u>	<u>Sewer Loan</u>	<u>Total</u>
2003	\$ 35,941	25,859	61,800
2004	35,941	25,859	61,800
2005	35,941	25,859	61,800
2006	35,941	25,859	61,800
2007	35,941	25,859	61,800
2008-35	<u>986,758</u>	<u>219,799</u>	<u>1,206,557</u>
	1,166,463	349,094	1,515,557
Less: Amount representing interest	<u>536,784</u>	<u> -</u>	<u>536,784</u>
	\$ <u>629,679</u>	<u>349,094</u>	<u>978,773</u>

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

14. Short-Term Obligations:

A summary of the short-term note transactions for the year ended December 31, 2002 follows:

<u>Fund Type</u>	<u>Balance December 31, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2002</u>
General Fund				
2001 – 3.5%	\$ 2,600,000	-	2,600,000	-
2002 – 2.25%	<u>-</u>	<u>3,900,000</u>	<u>-</u>	<u>3,900,000</u>
	<u>2,600,000</u>	<u>3,900,000</u>	<u>2,600,000</u>	<u>3,900,000</u>
Enterprise Fund:				
Water System Improvement	\$ 100,000	-	100,000	-

The water system improvement notes will be refinanced until long-term bonds are issued. They are backed by the full faith and credit of the City and mature within one to two years.

15. Interfund Assets/Liabilities:

Individual fund interfund asset and liability balances at December 31, 2002, were as follows:

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Municipal Court	\$ 11,122
 <u>Special Revenue Funds</u>		
Clerk Modernization	Municipal Court	688
Court Computer	Municipal Court	499
Court Special Projects	Municipal Court	<u>498</u>
		<u>1,685</u>
Total		\$ <u>12,807</u>

16. Segment Information:

The City's enterprise funds account for the provision of sewer and water services. Key financial information for the year ended December 31, 2002, for each enterprise fund is as follows:

CITY OF OAKWOOD
Notes to the General Purpose Financial Statements
December 31, 2002

	<u>Waterworks</u> <u>Fund</u>	<u>Sanitary Sewer</u> <u>Fund</u>	<u>Total</u>
Operating Revenues	\$ 1,069,033	1,068,240	2,137,273
Operating Expenses			
Before Depreciation	\$ 722,020	1,176,000	1,898,020
Depreciation Expense	\$ 232,623	62,601	295,224
Operating Income (Loss)	\$ 114,390	(170,361)	(55,971)
Net Non-Operating			
Revenues (Expenses)	\$ 72,074	59,472	131,546
Operating Transfer – Out	\$ (88,582)	(55,086)	(143,668)
Net Income (Loss)	\$ 97,882	(165,975)	(68,093)
Additions to Property, Plant and Equipment	\$ 266,210	17,021	283,231
Net Working Capital	\$ 1,611,098	825,517	2,436,615
Total Assets	\$ 3,776,744	2,340,096	6,116,840
Other Long-Term Liabilities			
Payable from Revenue	\$ -	323,235	323,235
Total Equity	\$ 3,696,288	1,874,528	5,570,816
Encumbrances Outstanding at December 31, 2002	\$ 258,177	92,346	350,523

17. Contingent Liabilities:

Litigation

The City has been named in a variety of lawsuits in the course of their normal governmental operations. However, the City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Federal and State Grants

For the period January 1, 2002 to December 31, 2002 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any would be immaterial.

CITY OF OAKWOOD
Elected and Appointed Officials
December 31, 2002

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
Judy Cook	Mayor	1/1/90 to 12/31/05
John R. Donnelly	Vice-Mayor	1/2/00 to 12/31/03
Carlo C. McGinnis	Council Member	1/1/86 to 12/31/05
Richard A. Killworth	Council Member	1/1/00 to 12/31/03
Roger C. Blumensheid	Council Member	2/14/02 to 12/31/03
Norbert S. Klopsch	City Manager	Appointed
Jay A. Weiskircher	Deputy City Manager, Director of Personnel	Appointed
Glen O. Beddies	Director of Public Safety	Appointed
Kevin W. Weaver	City Engineer, Director of Public Works	Appointed
Brad M. Beachdell	Director of Finance	Appointed
Carol D. Collins	Director of Leisure Services	Appointed
Robert N. Farquhar	City Attorney	Appointed
Elizabeth A. Niswonger	Income Tax Administrator	Appointed
<u>Oakwood Municipal Court</u>		
Robert Deddens	Judge	1/1/96 to 12/31/07
Louise Ackerman	Clerk of Courts	Appointed

These officials can be contacted at the following address:

City of Oakwood
30 Park Avenue
Oakwood, Ohio 45419

Bonded Officials

Each officer and employee of the City of Oakwood is covered by a faithful performance blanket bond in the amount of \$25,000 for each occurrence plus an additional \$50,000 indemnity on the City Manager and Director of Finance. The surety is the Ohio Casualty Insurance Company.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Members of the City Council
and City Manager
City of Oakwood, Ohio

We have audited the general-purpose financial statements of the City of Oakwood, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated June 17, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Oakwood, Ohio's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Oakwood, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the general purpose 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.

This report is intended solely for the information and use of the audit committee, management, City Council, the Auditor of State of Ohio, 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.

Clark, Schaefer, Hackett & Co.
Springfield, Ohio
June 17, 2003



**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

CITY OF OAKWOOD

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 2, 2003**