

**CITY OF OAKWOOD, OHIO**

**Basic Financial Statements**

**December 31, 2003**

**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, 2003 to December 31, 2003. 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 11, 2004

**This Page is Intentionally Left Blank.**

**CITY OF OAKWOOD, OHIO**

Table of Contents

	<u>Page</u>
Independent Auditors’ Report.....	1 – 2
Management’s Discussion and Analysis.....	3 – 10
Basic Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP) and Actual – General Fund.....	17
Statement of Fund Net Assets – Proprietary Funds .....	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds .....	20
Statement of Assets and Liabilities – Agency Funds .....	21
Notes to the Basic Financial Statements .....	22 – 42
Elected and Appointed Officials .....	43
Independent Auditors’ Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44 – 45

**This Page is Intentionally Left Blank.**



Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

www.cshco.com

## **Independent Auditors' Report**

Honorable Mayor, City Council  
and City Manager  
City of Oakwood, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Ohio, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oakwood's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 to the basic financial statements, in fiscal year 2003, the City of Oakwood adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government's*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government's: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2004 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.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Springfield, Ohio  
June 18, 2004

**CITY OF OAKWOOD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(Unaudited)

---

The discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for the year ended December 31, 2003 are as follows:

- Total net assets increased \$0.7 million, which represents just over a two percent increase from 2002. This slight increase was due to an increase of approximately \$1.2 million in the City's governmental activities that were offset somewhat by a decrease of approximately \$500,000 in the business-type activities of the City.
- Total assets of governmental activities increased by \$1,167,511, attributed predominantly to the City receiving \$771,550 from the State of Ohio for the resurfacing of Shroyer Road, which it had not received in prior years. Similar increases were also noted in municipal income taxes as well as other intergovernmental revenue.
- The business-type activities of the City decreased by \$459,345 during 2003. Both of the City's business-type activities funds recognized an operating loss during 2003; \$76,972 in the Water fund and \$284,018 in the Sewer fund. Despite these operating losses, the unrestricted net assets of the business-type activities remains healthy at approximately \$3.3 million, or 148 percent of the total business-type activities program expenses recorded for 2003.
- The \$5,027,323 unreserved, undesignated ending fund balance reported in the General Fund represents 42 percent of the total expenditures and transfers out reported in the General Fund for 2003.
- During 2003, the City continued its effort to improve capital assets throughout the City. Capital assets, net of accumulated depreciation, reported for governmental activities at December 31, 2003 were \$13.8 million, a \$4.3 million increase from the previous year. During 2003, the City recognized approximately \$3.1 million in construction in progress associated with the complete renovation and addition to the municipal building. This project is slated to be completed late 2004 or the early part of 2005. In addition, the City spent \$1.2 million on major roadway reconstruction and approximately \$400,000 on other capital asset purchases. These additions were offset by current year depreciation .

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand City of Oakwood, Ohio as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. Major fund financial statements provide the next level of detail. For governmental funds, these financial statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**CITY OF OAKWOOD, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Unaudited)

---

**Reporting the City as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements should take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of its capital assets.

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

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

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

The analysis of the City's major funds begins on page 7. Fund financial reports provide detailed information about each major fund. The major funds of the City include the General, Capital Improvement, Water and Sewer funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

Governmental Funds

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

**CITY OF OAKWOOD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(Unaudited)

---

Proprietary Funds

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

Fiduciary Funds

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

**The City as a Whole**

Recall that the Statement of Net Assets provides the perspective of the City as a whole. In the case of the City of Oakwood, Ohio, assets exceeded liabilities by a total of \$34.2 million at December 31, 2003.

Table 1 provides a summary of the City's net assets for 2003 compared to 2002:

TABLE 1  
NET ASSETS  
(in 000s)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets:</b>						
Current and Other Assets	\$ 21,826	\$ 25,163	\$ 3,481	\$ 3,866	\$ 25,307	\$ 29,029
Capital Assets, Net	13,782	9,468	3,052	3,135	16,834	12,603
<b>Total Assets</b>	<b>35,608</b>	<b>34,631</b>	<b>6,533</b>	<b>7,001</b>	<b>42,141</b>	<b>41,632</b>
<b>Liabilities:</b>						
Current and Other Liabilities	6,352	6,560	177	197	6,529	6,757
<b>Long-Term Liabilities:</b>						
Due within One Year	10	10	26	26	26	36
Due in more than One Year	1,079	1,061	334	323	1,413	1,384
<b>Total Liabilities</b>	<b>7,441</b>	<b>7,631</b>	<b>537</b>	<b>546</b>	<b>7,978</b>	<b>8,177</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	10,232	5,568	2,729	2,786	12,961	8,354
<b>Restricted:</b>						
Capital Projects	1	1	-	-	1	1
Endowment	50	50	-	-	50	50
Other Purposes	441	396	-	-	441	396
Unrestricted	17,443	20,985	3,267	3,669	20,710	24,654
<b>Total Net Assets</b>	<b>\$ 28,167</b>	<b>\$ 27,000</b>	<b>\$ 5,996</b>	<b>\$ 6,455</b>	<b>\$ 34,163</b>	<b>\$ 33,455</b>

**CITY OF OAKWOOD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(Unaudited)

As displayed in Table 1, total net assets of the City as a whole, increased by approximately \$700,000 from 2002 to 2003. This increase was due to the City receiving additional revenue received during 2003 that was not received during 2002. During 2003, the City received approximately \$772,000 from the State of Ohio to resurface a roadway located within Oakwood. In addition, the City received additional income and estate tax revenues during 2003 due to a strengthening economy and the natural fluctuation in estate tax revenue. Overall, the net assets of governmental activities increased by approximately \$1.2 million from 2003. This increase was partially offset by operating losses recognized in the business type activities.

While total unrestricted net assets decreased by approximately \$4.0 million from those reported at December 31, 2002, the increase in net assets invested in capital assets, net of related debt, \$4.6 million, indicates the decrease in unrestricted net assets was attributed primarily to the City's investment in upgrading its capital assets. Significant capital asset investment during 2003 includes continuing construction on the remodeling and addition to the municipal building and continued efforts in major reconstruction of the streets within the City.

Table 2 shows the changes in net assets for the year ended December 31, 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior-year information is available, a comparative analysis of the city-wide data will be presented.

TABLE 2  
CHANGE IN NET ASSETS, DECEMBER 31, 2003  
(in 000s)

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,441	\$ 1,813	\$ 3,254
Operating Grants and Contributions	305	-	305
Capital Grants and Contributions	771	-	771
Total Program Revenues	<u>2,517</u>	<u>1,813</u>	<u>4,330</u>
General Revenues:			
Municipal Income Taxes	4,770	-	4,770
Property and Other Taxes	1,714	-	1,714
Grants and Entitlements	1,696	-	1,696
Other	783	71	854
Total General Revenues	<u>8,963</u>	<u>71</u>	<u>9,034</u>
Total Revenues	<u>11,480</u>	<u>1,884</u>	<u>13,364</u>
Program Expenses:			
Security of Person and Property	4,077	-	4,077
Public Health Services	87	-	87
Leisure Time Activities	1,023	-	1,023
Community Environment	1,674	-	1,674
Transportation	1,014	-	1,014
General Government	2,492	-	2,492
Interest and Fiscal Charges	88	-	88
Water	-	1,005	1,005
Sewer	-	1,197	1,197
Total Expenses	<u>10,455</u>	<u>2,202</u>	<u>12,657</u>
Excess (Deficiency) Before Transfer	1,025	(318)	707
Transfers	142	(142)	-
Increase (Decrease) in Net Assets	<u>\$ 1,167</u>	<u>\$ (460)</u>	<u>\$ 707</u>

**CITY OF OAKWOOD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(Unaudited)

---

*Governmental Activities*

During 2003, total net assets reported in the governmental activities increased by approximately \$1.2 million. As mentioned before, the primary reason for this increase was the City receiving nearly \$772,000 in one-time financing from the State of Ohio for the resurfacing of Shroyer Road. Increases in municipal income tax (approximately \$770,000) and property and estate taxes (approximately \$430,000), can be explained by a strengthening economy, as well as timing differences in recording income taxes receivables as well as fluctuations in the amount of estate tax receivable recognized each year.

Table 3 shows the percentage of total expenses each functional area comprises, the net cost of each functional area and the percentage of each functional area expenses financed with general revenue.

TABLE 3  
ANALYSIS OF PROGRAM EXPENSES  
GOVERNMENTAL ACTIVITIES

	Percentage of Total Program Expenses	Net Expenses of Function	Percentage of Function Financed with General Revenues
Security of Person & Property	38.98 %	\$ 3,808,157	93.42 %
Public Health	0.84 %	82,137	93.89 %
Leisure Time Activities	9.79 %	541,440	52.91 %
Community Environment	16.02 %	1,160,311	69.30 %
Transportation	9.70 %	(34,652)	-
General Government	23.83 %	2,292,594	92.01 %
Interest & Fiscal Charges	0.84 %	87,506	100.00 %
Total	<u>100.00 %</u>	<u>\$ 7,937,493</u>	<u>75.92 %</u>

As indicated by Table 3, the City is spending the majority of its resources (55.0 percent) on security of person and property as well as community environment activities. While the operation of the police and fire departments is 39 percent of total program expenses, revenues generated by those two departments covers only 6.6 percent of functional expenses. This means that general revenues collected by the city, principally municipal income taxes and property taxes, must cover the remaining 93.4 percent of those departments expenses. Refuse collection fees is the most significant program revenue source that helps offset the expenses reported for the community environment functions.

General government functions, principally legislation, administration and judicial activities, comprise 23.9 percent of the total governmental expenses. While 8.0 percent of the general government expenses were financed through program revenues, the remaining 92 percent was financed using general revenues. Program revenues significantly offset other significant functional expenses, leisure time activities and transportation. Charges for services and fees associated with the recreation department accounted for 47.1 percent of the leisure time activities functional expenses. Operating and capital grants received from the State of Ohio resulted in the City reporting program revenues that exceeded the total expenses reported for the transportation function. Overall, program revenues cover approximately 24.2 percent of the total expenses.

General revenues comprise 78.1 percent of the total governmental revenues collected by the City during 2003. Principal components of general revenues, municipal income taxes (53.2 percent) and local property taxes (19.1 percent), are used to furnish the quality of life services to citizens and businesses to which they have become accustomed.

**CITY OF OAKWOOD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(Unaudited)

---

*Business-Type Activities*

The City's business-type activities include the Water and Sewer operations.

Water – The water department at the City of Oakwood is responsible for the treatment and delivery of quality water to businesses and citizens within the boundaries of the City. Various functions within the water department include administration, water production, water distribution and maintaining and upgrading the infrastructure used to treat and distribute the water. While the water department realized a small operating loss (\$76,972) during 2003 as compared with operating income of \$114,390 reported in 2002, rates were not increased during 2003 to adjust to ever increasing operating costs.

Sewer – The City's sewer department is responsible for the collection and treatment of wastewater generated throughout the City. Various functions within the sewer department include administration, disposal, and maintaining and upgrading infrastructure used to in the collection and disposal of wastewater. The sewer department recognized an operating loss of \$284,018 during 2003 as compared with an operating loss of \$170,361 reported for 2002. As with the water rates, the City did not increase sewer rates during 2003 to cover increasing operational costs.

Overall, the City's business-type activities generated \$1.8 million in program revenue during 2003, while program expenses were \$2.2 million. While the business-type activities incurred an overall decrease in net assets of \$495,345, it should be noted that the unrestricted net assets of the business-type activities totaled \$3.3 million at the end of 2003. The amount of unrestricted net assets for business-type activities reported at December 31, 2003 equaled 148 percent of the total expenses reported for business-type activities for 2003. This indicates the water and sewer departments should be able to fully operate without significant rate increases for the foreseeable future.

However, the Council will continue to monitor utility rates charges and necessary adjustments will be made to provide any additional financial resources needed.

**The City's Funds**

Information about the City's major governmental funds begins on page 12. These funds are reported using the modified accrual basis of accounting. Governmental funds had total revenues of \$11.2 million, expenditures of \$14.8 million and net transfers in of \$141,934. The excess of expenditures over revenues and other financing sources of \$3.4 million can be attributed exclusively to the significant capital improvement expenditures incurred during 2003. While these items are capitalized in the statement of net assets, expenditures are recognized in the fund statements thereby reducing the amount of resources available for future spending. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's General Fund realized a \$2.9 million decrease in fund balance during 2003. The General Fund is the fund that is financing the renovation of and addition to the City's municipal building. These expenditures are reported as capital outlay expenditures in the fund statement. If the municipal building project expenditures were excluded, the General Fund would have recognized a small increase in its fund balance. Of the \$9 million ending fund balance in the General Fund, \$5.0 was unrestricted and undesignated.

The Capital Improvement fund balance decreased by \$345,027. Fund balance at December 31, 2003 was \$1,479,306, of which \$53,017 was encumbered. Transfers from the General Fund and other funds are made when financing for capital improvement are needed. All other governmental fund balances decreased slightly during 2003.

**CITY OF OAKWOOD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(Unaudited)

---

Explanation of the changes in the major enterprise funds of the City, the water and sewer funds, follow the same explanations as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same accounting basis used in the City-wide statements.

### **General Fund Budgeting Highlights**

The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews the detailed budgets of each department within the General Fund and other funds, and then adopts the budget on a fund basis.

During 2003, the City did not need to amend its original budgetary amounts. Therefore, the original and final budgetary numbers presented on page 17 will be the same. Within each departmental budget, a department head may make small line item adjustments within their budget, as long as the total operational and maintenance amount does not exceed their budgetary allotment.

For the General Fund, budget basis revenue was \$7.9 million as compared to the actual revenues received of \$9.1 million. Significant positive variance were realized in the intergovernmental and interest revenue line items. During 2003, the City received \$1,029,695 in estate taxes as compared with the \$600,000 budgeted for this revenue source. Estate taxes received by the City depend entirely on the wealth of deceased individuals and the timing of the settlement of their estates, therefore accurately budgeting this revenue source is difficult. Interest earnings for the General Fund exceeded the budgeted amount of \$410,000 by \$348,194 during 2003. The additional interest receipts are due primarily to higher yields on the City's investments than those realized during 2002, as well as larger than expected funds available for investment due to the timing of capital outlay expenditures associated with the municipal building project.

Due to the City's continuing efforts to control expenditures, actual budgetary expenditures were \$931,117 less than the \$18.2 million budgeted for 2003. Actual budgetary expenditures related to general fund departments (excluding capital outlay and debt service) decrease in 2003 to \$6.5 million from the \$6.9 million incurred in 2002, or 5.8 percent. The actual budgetary expenditures reported in 2003 for capital outlay (\$6.8 million) represents a 40.3 percent increase from the prior year, principally for the municipal building renovation and addition project. Finally, the City transferred \$653,016 less than what was budgeted from the General Fund to other funds in the City due to less funds being needed to supplement the operations of the other funds.

### **Capital Assets**

At the end of fiscal year 2003, the City had a total of \$26.5 million invested in capital assets less accumulated depreciation of \$9.7 million resulting in total capital assets, net of accumulated depreciation of \$16.8 million.

During 2003, the City spent a significant amount of resources upgrading its capital assets. The multi-million dollar project to renovate and expand the municipal building continued to progress during 2003. During 2003, the City expended \$3.1 million associated with this project that is reported as an increase in construction in progress. The scheduled completion date of the municipal building project is late 2004 or early 2005. Also during 2003, the City completed major roadway construction projects totaling \$1.2 million. These projects are reported as additions to the infrastructure capital asset category during 2003. An additional \$400,000 was spent on other capital assets items during 2003.

The City completed work on two water booster stations during 2003 that were transferred from construction in progress to buildings. In addition the business-type activities spent an additional \$152,024 on various capital assets during 2003.

**CITY OF OAKWOOD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
(Unaudited)

Table 4 shows 2003 balances compared to those of 2002:

TABLE 4  
CAPITAL ASSETS, NET  
(in 000s)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 368	\$ 368	\$ 314	\$ 314	\$ 682	\$ 682
Buildings	5,602	5,737	525	334	6,127	6,071
Improvements	121	136	6	10	127	146
Equipment	574	569	369	448	943	1,017
Vehicles	669	775	182	223	851	998
Infrastructure	2,308	-	1,584	1,617	3,892	1,617
Construction in Progress	4,140	1,883	72	190	4,212	2,073
Total	\$ 13,782	\$ 9,468	\$ 3,052	\$ 3,136	\$ 16,834	\$ 12,604

Accumulated depreciation of \$4.4 million and \$5.3 million, reported in the governmental activities and business-type activities respectively, somewhat offset the capital asset additions noted above.

Additional information on the City's capital assets can be found in Note 7 to the basic financial statements.

**Debt Administration**

At December 31, 2003, the City had a total of \$4.5 million of short and long-term debt obligations compared with \$4.9 million reported at December 31, 2002.

Governmental debt obligations include \$3,550,000 in bond anticipation notes (BAN) and a \$620,401 police and fire pension liability. During 2003, the BAN was reduced by \$350,000 using General Fund revenues and the police and fire pension liability was reduced by \$9,278 using property taxes levied and collected for the repayment of this liability.

The \$323,235 OWDA loan reported in the City's water fund was reduced by \$25,859 from the \$349,094 reported on December 31, 2002.

At June 30, 2003, the City's overall legal debt margin was \$25.7 million and the unvoted debt margin was \$11.8 million. See Notes 11 and 12 of the notes to the basic financial statements for more detailed information on the debt obligations of the City.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department at City of Oakwood, Ohio, 30 Park Avenue, Oakwood, Ohio 45419 or call (937) 298-0402.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2003**

	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 18,706,301	\$ 2,181,819	\$ 20,888,120
<b>Receivables:</b>			
Taxes	3,178,981	-	3,178,981
Accounts	71,685	399,154	470,839
Intergovernmental	356,076	-	356,076
Accrued Interest	103,033	11,848	114,881
Special Assessments	128,999	-	128,999
Inventory of supplies and materials	105,223	35,515	140,738
Prepaid items	25,455	2,880	28,335
Internal Balances	(849,737)	849,737	-
Non-depreciable capital assets	4,508,025	385,831	4,893,856
Depreciable capital assets, net	<u>9,273,741</u>	<u>2,666,111</u>	<u>11,939,852</u>
 Total Assets	 <u>35,607,782</u>	 <u>6,532,895</u>	 <u>42,140,677</u>
 <b>Liabilities:</b>			
Accounts payable	102,009	23,429	125,438
Contracts payable	557,532	31,678	589,210
Accrued wages	102,201	10,522	112,723
Intergovernmental payable	383,571	111,415	494,986
Accrued interest payable	68,277	-	68,277
Bond anticipation notes payable	3,550,000	-	3,550,000
Deferred revenue	1,588,734	-	1,588,734
<b>Long Term Liabilities:</b>			
Due within one year	9,676	25,859	35,535
Due in more than one year	<u>1,078,469</u>	<u>333,865</u>	<u>1,412,334</u>
 Total Liabilities	 <u>7,440,469</u>	 <u>536,768</u>	 <u>7,977,237</u>
 <b>Net Assets:</b>			
Invested in capital assets, net of related debt	10,231,766	2,728,707	12,960,473
<b>Restricted for:</b>			
Capital projects	1,164	-	1,164
Endowment	50,000	-	50,000
Other purpose	441,136	-	441,136
Unrestricted	<u>17,443,247</u>	<u>3,267,420</u>	<u>20,710,667</u>
 Total Net Assets	 <u>\$ 28,167,313</u>	 <u>\$ 5,996,127</u>	 <u>\$ 34,163,440</u>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Security of Persons and Property	4,076,589	267,432	1,000	-	(3,808,157)	-	(3,808,157)
Public Health Services	87,480	5,343	-	-	(82,137)	-	(82,137)
Leisure Time Activities	1,023,262	463,845	17,977	-	(541,440)	-	(541,440)
Community Environment	1,674,352	505,272	8,769	-	(1,160,311)	-	(1,160,311)
Transportation	1,013,935	-	277,037	771,550	34,652	-	34,652
General Government	2,491,601	199,007	-	-	(2,292,594)	-	(2,292,594)
Interest and fiscal charges	87,506	-	-	-	(87,506)	-	(87,506)
<b>Total Governmental Activities</b>	<b>10,454,725</b>	<b>1,440,899</b>	<b>304,783</b>	<b>771,550</b>	<b>(7,937,493)</b>	<b>-</b>	<b>(7,937,493)</b>
<b>Business-Type Activities:</b>							
Water	1,004,783	882,443	-	-	-	(122,340)	(122,340)
Sewer	1,196,894	930,829	-	-	-	(266,065)	(266,065)
<b>Total Business-Type Activities</b>	<b>2,201,677</b>	<b>1,813,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(388,405)</b>	<b>(388,405)</b>
<b>Total</b>	<b>12,656,402</b>	<b>3,254,171</b>	<b>304,783</b>	<b>771,550</b>	<b>(7,937,493)</b>	<b>(388,405)</b>	<b>(8,325,898)</b>
<b>General Revenues:</b>							
Municipal income taxes, levied for general purposes					4,770,218	-	4,770,218
Property taxes levied for:							
General purposes					1,508,546	-	1,508,546
Police and fire pension					205,348	-	205,348
Grants and entitlements not restricted to							
specific programs					1,696,152	-	1,696,152
Investment earnings					616,479	56,714	673,193
Miscellaneous					166,327	14,280	180,607
Transfers					141,934	(141,934)	-
<b>Total General Revenues</b>					<b>9,105,004</b>	<b>(70,940)</b>	<b>9,034,064</b>
Changes in net assets					1,167,511	(459,345)	708,166
Net assets at beginning of year (see note 4)					26,999,802	6,455,472	33,455,274
Net assets at end of year					28,167,313	5,996,127	34,163,440

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2003**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 12,940,356	1,479,306	4,064,209	18,483,871
<b>Receivables:</b>				
Taxes	3,104,097	-	74,884	3,178,981
Accounts	9,800	-	61,885	71,685
Special Assessments	-	-	128,999	128,999
Accrued Interest	100,004	-	3,029	103,033
Intergovernmental Receivable	232,897	-	123,179	356,076
Supplies Inventory	33,378	-	60,639	94,017
Prepaid Items	16,769	-	8,305	25,074
<b>Total Assets</b>	<b>\$ 16,437,301</b>	<b>1,479,306</b>	<b>4,525,129</b>	<b>22,441,736</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 50,292	-	33,446	83,738
Contracts Payable	511,776	-	45,756	557,532
Accrued Salaries Payable	78,534	-	21,259	99,793
Accrued Interest Payable	68,277	-	-	68,277
Intergovernmental Payable	165,633	-	82,940	248,573
Deferred Revenue	2,952,560	-	346,978	3,299,538
Notes Payable	3,550,000	-	-	3,550,000
<b>Total Liabilities</b>	<b>7,377,072</b>	<b>-</b>	<b>530,379</b>	<b>7,907,451</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	3,999,528	53,017	196,061	4,248,606
Reserved for Supplies Inventory	33,378	-	60,639	94,017
Reserved for Bullock Endowment	-	-	50,000	50,000
<b>Unreserved:</b>				
Designated for Memorial Gardens Improvements	-	-	211,256	211,256
<b>Undesignated, Reported in:</b>				
General Fund	5,027,323	-	-	5,027,323
Special Revenue Funds	-	-	2,541,005	2,541,005
Capital Project Funds	-	1,426,289	935,156	2,361,445
Permanent Fund	-	-	633	633
<b>Total Fund Balance</b>	<b>9,060,229</b>	<b>1,479,306</b>	<b>3,994,750</b>	<b>14,534,285</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,437,301</b>	<b>1,479,306</b>	<b>4,525,129</b>	<b>22,441,736</b>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2003**

Total Governmental Fund Balances		\$ 14,534,285
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,290,929
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Municipal income taxes	886,441	
Property and other taxes	240,852	
Special assessments	129,002	
Intergovernmental	314,902	
Charges for services	36,574	
Accrued interest	103,033	
Total		1,710,804
Internal service fund is used by management to charge the costs of providing insurance as well as the central service center to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		5,694,147
The internal balance represents the portion of the internal services funds' assets and liabilities that are allocated to the enterprise funds.		(849,737)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(127,137)
Some liabilities, including long-term debt obligations and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
Police and fire pension liability	(620,401)	
Compensated absences payable	(465,577)	
Total		(1,085,978)
Net Assets of Governmental Activities		\$ 28,167,313

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Municipal Income Taxes	\$ 4,700,361	\$ -	\$ -	\$ 4,700,361
Property and Other Taxes	1,558,672	-	203,291	1,761,963
Intergovernmental	1,573,900	771,550	279,328	2,624,778
Special Assessments	-	-	143,285	143,285
Charges for Services	183,947	-	863,595	1,047,542
Fines, Licenses and Permits	160,660	-	55,215	215,875
Interest	499,059	-	14,387	513,446
Donations	9,769	-	17,977	27,746
Other	114,840	34,376	17,111	166,327
<b>Total Revenues</b>	<b>8,801,208</b>	<b>805,926</b>	<b>1,594,189</b>	<b>11,201,323</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	3,587,607	-	234,494	3,822,101
Public Health Services	-	-	87,480	87,480
Leisure Time Activities	-	-	962,904	962,904
Community Environment	451,422	-	1,187,790	1,639,212
Transportation	-	-	807,604	807,604
General Government	2,200,588	-	9,061	2,209,649
Capital Outlay	3,010,886	1,587,373	562,964	5,161,223
<b>Debt Service:</b>				
Interest and Fiscal Charges	87,506	-	-	87,506
<b>Total Expenditures</b>	<b>9,338,009</b>	<b>1,587,373</b>	<b>3,852,297</b>	<b>14,777,679</b>
<b>Excess of Revenues Over(Under)</b>				
<b>Expenditures</b>	<b>(536,801)</b>	<b>(781,447)</b>	<b>(2,258,108)</b>	<b>(3,576,356)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers-In	141,934	436,420	2,631,750	3,210,104
Operating Transfers-Out	(2,522,821)	-	(545,349)	(3,068,170)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,380,887)</b>	<b>436,420</b>	<b>2,086,401</b>	<b>141,934</b>
<b>Excess of Revenues and Other</b>				
<b>Financing Sources Over(Under)</b>				
<b>Expenditures and Other Financing Uses</b>	<b>(2,917,688)</b>	<b>(345,027)</b>	<b>(171,707)</b>	<b>(3,434,422)</b>
<b>Fund Balance at Beginning of Year - Restated</b>	<b>11,977,917</b>	<b>1,824,333</b>	<b>4,166,457</b>	<b>17,968,707</b>
<b>Fund Balance at End of Year</b>	<b>\$ 9,060,229</b>	<b>\$ 1,479,306</b>	<b>\$ 3,994,750</b>	<b>\$ 14,534,285</b>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

Net Change in Fund Balance - Total Governmental Funds \$ (3,434,422)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	4,847,457	
Depreciation	(382,346)	
	4,465,111	
Total		4,465,111

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale. (5,472)

Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets. In the current year, these amounts consisted of a payment on the police and fire pension obligation. 9,278

The internal service fund used by management to charge the cost of providing insurance and the centralized service center to the individual funds is reported in the statement of activities. (201,827)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, rather these revenues are deferred. 278,979

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. These activities consist of:

Increase in compensated absences payable	(31,852)	
Decrease in intergovernmental payable	87,716	
	55,864	
Total		55,864

Change in Net Assets of Governmental Activities \$ 1,167,511

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal Income Taxes	\$ 4,589,500	\$ 4,589,500	\$ 4,727,396	\$ 137,896
Property and Other Taxes	1,443,500	1,443,500	1,558,672	115,172
Intergovernmental	1,158,700	1,158,700	1,573,900	415,200
Charges for Services	133,750	133,750	183,947	50,197
Fines, Licenses and Permits	155,850	155,850	161,982	6,132
Interest	410,000	410,000	758,194	348,194
Donations	13,100	13,100	9,769	(3,331)
Other	12,000	12,000	114,840	102,840
<b>Total Revenues</b>	<b>7,916,400</b>	<b>7,916,400</b>	<b>9,088,700</b>	<b>1,172,300</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	3,940,426	3,940,426	3,649,375	291,051
Community Environment	562,263	562,263	469,714	92,549
General Government	2,815,759	2,815,759	2,393,824	421,935
Capital Outlay	6,919,494	6,919,494	6,796,406	123,088
<b>Debt Service:</b>				
Principal Retirement	3,900,000	3,900,000	3,900,000	-
Interest and Fiscal Charges	90,000	90,000	87,506	2,494
<b>Total Expenditures</b>	<b>18,227,942</b>	<b>18,227,942</b>	<b>17,296,825</b>	<b>931,117</b>
<b>Excess of Revenues Over(Under)</b>				
Expenditures	(10,311,542)	(10,311,542)	(8,208,125)	2,103,417
<b>Other Financing Sources (Uses):</b>				
Transfers-In	150,000	150,000	141,934	(8,066)
Transfers-Out	(3,157,837)	(3,157,837)	(2,522,821)	635,016
Proceeds from the Sale of Notes	3,550,000	3,550,000	3,552,307	2,307
<b>Total Other Financing Sources (Uses)</b>	<b>542,163</b>	<b>542,163</b>	<b>1,171,420</b>	<b>629,257</b>
<b>Excess of Revenues and Other</b>				
<b>Financing Sources Over(Under)</b>				
Expenditures and Other Financing Uses	(9,769,379)	(9,769,379)	(7,036,705)	2,732,674
<b>Fund Balance at Beginning of Year</b>	<b>10,426,236</b>	<b>10,426,236</b>	<b>10,426,236</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>4,964,537</b>	<b>4,964,537</b>	<b>4,964,537</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 5,621,394</b>	<b>\$ 5,621,394</b>	<b>\$ 8,354,068</b>	<b>\$ 2,732,674</b>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2003**

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
<b>Assets:</b>				
<b>Current Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,390,986	\$ 790,833	\$ 2,181,819	\$ 222,430
Accounts Receivable	184,360	214,794	399,154	-
Accrued Interest Receivable	5,924	5,924	11,848	-
Special Assessments Receivable	-	-	-	-
Supplies Inventory	35,343	172	35,515	11,206
Prepaid Items	1,407	1,473	2,880	381
<b>Total Current Assets</b>	<u>1,618,020</u>	<u>1,013,196</u>	<u>2,631,216</u>	<u>234,017</u>
<b>Non-current Assets</b>				
Capital Assets, Net	<u>2,054,338</u>	<u>997,604</u>	<u>3,051,942</u>	<u>5,490,837</u>
<b>Total Assets</b>	<u>3,672,358</u>	<u>2,010,800</u>	<u>5,683,158</u>	<u>5,724,854</u>
<b>Liabilities:</b>				
<b>Current Liabilities</b>				
Accounts Payable	21,071	2,358	23,429	18,271
Contracts Payable	31,678	-	31,678	-
Accrued Salaries Payable	6,143	4,379	10,522	2,408
Intergovernmental Payable	27,404	84,011	111,415	7,861
OWDA Loan - Current Portion	-	25,859	25,859	-
<b>Total Current Liabilities</b>	<u>86,296</u>	<u>116,607</u>	<u>202,903</u>	<u>28,540</u>
<b>Long-Term Liabilities</b>				
OWDA Loan	-	297,376	297,376	-
Compensated Absences Payable	19,254	17,235	36,489	2,167
<b>Total Long-Term Liabilities</b>	<u>19,254</u>	<u>314,611</u>	<u>333,865</u>	<u>2,167</u>
<b>Total Liabilities</b>	<u>105,550</u>	<u>431,218</u>	<u>536,768</u>	<u>30,707</u>
<b>Net Assets:</b>				
Invested in Capital Assets	2,054,338	674,369	2,728,707	5,490,837
Unrestricted	1,512,470	905,213	2,417,683	203,310
<b>Total Net Assets</b>	<u>\$ 3,566,808</u>	<u>\$ 1,579,582</u>	<u>5,146,390</u>	<u>\$ 5,694,147</u>

Net assets reported for business-type activities in the statement of net assets is different because they include a proportionate share of the balance of the internal service fund.

849,737  
\$ 5,996,127

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**ALL PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 879,963	\$ 912,056	\$ 1,792,019	\$ 380,340
Other Operating Revenue	13,460	820	14,280	8,357
<b>Total Operating Revenue</b>	<b>893,423</b>	<b>912,876</b>	<b>1,806,299</b>	<b>388,697</b>
Operating Expenses:				
Personal Services	396,448	282,221	678,669	188,685
Contractual Services	302,834	841,934	1,144,768	85,747
Supplies and Materials	78,744	11,667	90,411	185,299
Claims	-	-	-	10,855
Depreciation	192,369	61,072	253,441	153,383
<b>Total Operating Expenses</b>	<b>970,395</b>	<b>1,196,894</b>	<b>2,167,289</b>	<b>623,969</b>
<b>Operating Income (Loss)</b>	<b>(76,972)</b>	<b>(284,018)</b>	<b>(360,990)</b>	<b>(235,272)</b>
Non-Operating Income (Expenses):				
Interest	34,328	22,386	56,714	-
Loss on disposal of capital assets	(850)	-	(850)	(93)
Special Assessments	2,480	18,773	21,253	-
<b>Total Non-Operating Income (Expenses)</b>	<b>35,958</b>	<b>41,159</b>	<b>77,117</b>	<b>(93)</b>
<b>Income Before Operating Transfers</b>	<b>(41,014)</b>	<b>(242,859)</b>	<b>(283,873)</b>	<b>(235,365)</b>
<b>Transfers-Out</b>	<b>(86,848)</b>	<b>(55,086)</b>	<b>(141,934)</b>	<b>-</b>
<b>Net Loss</b>	<b>(127,862)</b>	<b>(297,945)</b>	<b>(425,807)</b>	<b>(235,365)</b>
Net Assets at the Beginning of the Year - Restated (See Note 4)	3,694,670	1,877,527		5,929,512
<b>Net Assets at the End of the Year</b>	<b>\$ 3,566,808</b>	<b>\$ 1,579,582</b>		<b>5,694,147</b>

Some amounts reported for business-type activities in the statement of activities are different because a proportionate share to the internal services funds' net expenses is reported with business-type activities.

(33,538)  
(459,345)

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 916,814	\$ 957,635	\$ 1,874,449	\$ -
Cash Received from Quasi-External Transactions from Other Funds	-	-	-	380,340
Cash Received from Other Sources	13,460	820	14,280	8,357
Cash Payments to Employees for Services and Benefits	(400,077)	(284,328)	(684,405)	(196,318)
Cash Payments to Suppliers for Goods and Services	(338,352)	(859,841)	(1,198,193)	(278,333)
Net Cash Provided by Operating Activities	<u>191,845</u>	<u>(185,714)</u>	<u>6,131</u>	<u>(85,954)</u>
Cash Flows from Noncapital Financing Activities:				
Special Assessments	2,480	18,773	21,253	-
Transfers-Out	(86,848)	(55,086)	(141,934)	-
Net Cash Provided by Noncapital Financing Activities	<u>(84,368)</u>	<u>(36,313)</u>	<u>(120,681)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(163,985)	(6,666)	(170,651)	(7,119)
Principal Paid on Notes	-	(25,859)	(25,859)	-
Net Cash Used in Capital and Related Financing Activities	<u>(163,985)</u>	<u>(32,525)</u>	<u>(196,510)</u>	<u>(7,119)</u>
Cash Flows from Investing Activities:				
Market Gain (Loss) on Investments	(3,553)	(3,457)	(7,010)	-
Interest and Dividends on Investments	44,950	31,015	75,965	-
Net Cash Provided by Investing Activities	<u>41,397</u>	<u>27,558</u>	<u>68,955</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,111)	(226,994)	(242,105)	(93,073)
Cash and Cash Equivalents Beginning of Year	<u>1,406,097</u>	<u>1,017,827</u>	<u>2,423,924</u>	<u>315,503</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,390,986</u>	<u>\$ 790,833</u>	<u>\$ 2,181,819</u>	<u>\$ 222,430</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:				
Operating Income(Loss)	\$ (76,972)	\$ (284,018)	\$ (360,990)	\$ (235,272)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	192,369	61,072	253,441	153,383
Changes in Assets and Liabilities				
Increase in Accounts Receivable	36,851	45,579	82,430	-
(Increase) Decrease in Supplies Inventory	14,683	121	14,804	2,068
(Increase) Decrease in Prepaid Items	(180)	23	(157)	(15)
Decrease in Accounts Payable	9,441	342	9,783	18,271
Decrease in Contracts Payable	16,500	-	16,500	-
Increase in Accrued Salaries Payable	(4,095)	(2,858)	(6,953)	(1,885)
Increase (Decrease) in Intergovernmental Payable	3,443	(6,037)	(2,594)	(16,370)
Decrease in Compensated Absences Payable	(195)	62	(133)	(6,134)
Net Cash Provided(Used) by Operating Activities	<u>\$ 191,845</u>	<u>\$ (185,714)</u>	<u>\$ 6,131</u>	<u>\$ (85,954)</u>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**DECEMBER 31, 2003**

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents with fiscal agent	<u>\$ 21,223</u>
Total assets	<u><u>\$ 21,223</u></u>
Liabilities:	
Due to other governments	\$ 5,348
Due to others	11,334
Undistributed monies	<u>4,541</u>
Total liabilities	<u><u>\$ 21,223</u></u>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

---

**Note 1 - Description of the City and Reporting Entity:**

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. There are no component units included as part of this report.

**Note 2 - Summary of Significant Accounting Policies:**

The financial statements of the City of Oakwood have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and to its proprietary funds. The most significant of the City's accounting policies are described below.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

Government-wide Financial Statements

The Statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by a recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

Capital Improvement Fund – The capital improvement fund is used to account for resources accumulated or transferred from other funds to finance the purchase, construction or maintenance of the City's capital assets deemed necessary to enhance the operation of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Types

The proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

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

Sewer Fund – The sewer fund accounts for the provisions of sanitary sewer service to the residents and commercial users located within the City.

Internal Service Funds – An internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds reports the activity of the centralized City service center and motor pool, as well as the self-insurance vision program provided to City employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City's only fiduciary fund is an agency fund used to account for municipal court collections that are distributed to various local governments. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Measurement Focus**

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transaction**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenues. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Money for all funds, including proprietary funds, are 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 financial statements.

Investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

During the year, the City's investments included 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, 2003.

Investments with an original maturity of three months or less at the time of purchase, and investments of the cash management pool are reported as cash equivalents on the financial statements.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue reported in the statement of net activities for 2003 amounted to \$673,193. This amount includes an increase of \$49,208 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, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Supplies Inventory**

Inventories reported on the government-wide and fund financial statements are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventory consists of expendable supplies held for consumption.

**Internal Balances**

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances”. At December 31, 2003 the amounts reported in the internal balances line item comprises of the allocation of the business-type activities interest in the internal service funds that are included within the governmental activities.

**Capital Assets**

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the respective fund financial statements with the enterprise funds capital assets being reported in the business-type activities column of the government-wide statement of net assets and the internal service funds being combined with governmental-activities capital assets on the statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed. Interest incurred during the construction of capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	50 years	50 years
Improvements	10-15 years	10-15 years
Equipment	10-20 years	10-20 years
Vehicles	5-20 years	5-20 years
Infrastructure:		
Sewer and Water Lines	N/A	50 years
Other	10-65 years	10-65 years

The City has elected to phase-in recording its governmental-activities infrastructure as permitted by GASB and therefore only the current year additions to infrastructure are recorded in the financial statements.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**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, determined to be all employees with twenty years of service or more. 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.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractual required pension obligations that will be paid from the governmental are reported as a liability in the fund financial statements only to the extent that they are due for payment from current-available resources. Long-term loans are recognized as a liability on the fund financial statements when due.

**Reservations and Designation of Fund Balance**

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 balance has been reserved for encumbrances, supplies inventory and endowment. The designation of fund balance in the other governmental funds is for the purpose of restricting, as required by city council, Smith Memorial Garden assets for the future maintenance of the grounds.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and the centralized service center programs. Operating expenses are necessary costs incurred to provide goods or services that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayment from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements.

**Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Budgetary Process**

All funds, except for agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by the Council at the fund level for all funds. Appropriations may be allocated within each function, department and object level within each fund. Council must approve any revisions that alter total fund appropriations.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

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

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

**Note 3 - Budgetary Basis of Accounting:**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/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 following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$ (2,917,688)
Revenue Accruals	287,492
Expenditure Accruals	483,947
Encumbrances	(4,542,763)
Principal Retirement	(3,900,000)
Proceeds from Sale of Notes	<u>3,552,307</u>
Budgetary Basis	<u>\$ (7,036,705)</u>

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Note 4 - Change in Accounting Principles and Restatement of Prior Year Fund Equity:**

Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the new reporting model.

Restatement of Fund Balances

The City reclassified certain funds due to the implementation of GASB 34. Certain trust funds that provide support to City activities that were previously reported as non-expendable and expendable trust funds. Certain trust funds that are permanent in nature and provide support to City activities were reclassified as permanent funds and the expendable trust fund was reclassified as a special revenue fund. GASB Interpretation No. 6 redefined how liabilities should be recognized in governmental funds that resulted in certain liabilities to be reported as long-term instead as an actual fund liability.

These restatements, as well as corrections of errors in the capital assets previously reported, had the following effect on fund balance of major and nonmajor funds of the City. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Capital Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Fund Balance December 31, 2002</b>	\$ 11,961,460	\$ 1,824,333	\$ 3,853,364	\$ 17,639,157
GASB 6 Interpretation	16,457	-	2,397	18,854
Reclassification of funds	-	-	310,696	310,696
Adjusted fund balance – December 31, 2002	<u>\$ 11,977,917</u>	<u>\$ 1,824,333</u>	<u>\$ 4,166,457</u>	17,968,707
<b>GASB 34 Adjustments:</b>				
Capital assets, net				3,831,290
Allocation of Governmental Activities share of Internal Service Funds				5,046,237
Long-term compensated absences				(433,725)
Long-term liabilities				(214,853)
Police & fire pension payable				(629,679)
Long-term (deferred) assets				1,431,825
<b>Governmental Activities Net Assets, December 31, 2002</b>				<u>\$ 26,999,802</u>

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

During 2003, the City also corrected immaterial differences in the capital assets reported by the enterprise funds at December 31, 2002. These adjustments did not have a material effect on the excess/net assets as reported at December 31, 2002. In addition, the implementation of GASB Statement No. 34 required the allocation of the City's internal service funds equity to the funds responsible for providing financing to the internal service funds. This is shown in the restatement to business-type activities net assets.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Fund Equity December 31, 2002</b>	\$ 3,696,288	\$ 1,874,528	\$ 5,570,816
Capital asset adjustments	(1,618)	2,999	1,381
Adjusted fund equity - December 31, 2002	\$ 3,694,670	\$ 1,877,527	5,572,197
GASB 34 Adjustments:			
Allocation of Business-Type Activities share of Internal Service Funds			883,275
<b>Business-Type Activities Net Assets, December 31, 2002</b>			<b>\$ 6,455,472</b>

**Note 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.

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 lieu 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 \$1,833,268 and the bank balance was \$2,503,113. Of the bank balance, \$219,741 was covered by federal deposit insurance 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.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

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.

	Category 2	Carrying Value	Fair Value
Government securities	\$ 15,874,525	\$ 15,874,525	\$ 15,874,525
Unclassifieds:			
STAROhio	0	3,201,550	3,201,550
Total	\$ 15,874,525	\$ 19,076,075	\$ 19,076,075

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 20,909,343	\$ 0
Investments:		
Government securities	(15,874,525)	15,874,525
STAROhio	(3,201,550)	3,201,550
GASB Statement 3	\$ 1,833,268	\$ 19,076,075

**Note 6 – Receivables:**

Receivables at December 31, 2003 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes collected in and intended to finance 2004.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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 full tax rate of all City operations for the year ended December 31, 2003 was \$11.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 272,703,590
Public Utility Tangible Personal Property Assessed Valuation	3,631,430
Tangible Personal Property Assessed Valuation	<u>2,075,283</u>
Total	<u>\$ 278,410,303</u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county tax payers 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.

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. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

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.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

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.

Due from Other Governments

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 128,922
Homestead/Rollback	109,032
Gasoline tax	93,222
Motor vehicle license fees	17,700
Permissive motor vehicle license tax	<u>7,200</u>
Total	\$ <u>356,076</u>

**Note 7 – Capital Assets:**

Capital asset activity for the year ended December 31, 2003 was as follows:

	Restated Balance <u>12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/03</u>
<u>Governmental Activities</u>				
Non-depreciable capital assets:				
Land	\$ 368,029	-	-	368,029
Construction in progress	<u>1,883,482</u>	<u>3,324,990</u>	<u>(1,068,476)</u>	<u>4,139,996</u>
Non-depreciable capital assets	<u>2,251,511</u>	<u>3,324,990</u>	<u>(1,068,476)</u>	<u>4,508,025</u>
Depreciable capital assets:				
Buildings	6,526,175	5,773	-	6,531,948
Improvements	1,085,400	27,779	-	1,113,179
Equipment	1,330,485	152,550	(37,176)	1,445,859
Vehicles	2,195,788	104,554	(67,752)	2,232,590
Infrastructure	-	<u>2,307,407</u>	-	<u>2,307,407</u>
Depreciable capital assets	<u>11,137,848</u>	<u>2,598,063</u>	<u>(104,928)</u>	<u>13,630,983</u>
Less: accumulated depreciation				
Buildings	(789,069)	(140,632)	-	(929,701)
Improvements	(949,700)	(42,345)	-	(992,045)
Equipment	(761,529)	(145,662)	34,988	(872,203)
Vehicles	(1,420,578)	(207,074)	64,375	(1,563,277)
Infrastructure	-	<u>(16)</u>	-	<u>(16)</u>
Accumulated depreciation	<u>(3,920,876)</u>	<u>(535,729)*</u>	<u>99,363</u>	<u>(4,357,242)</u>
Depreciable capital assets, net	<u>7,216,972</u>	<u>2,062,334</u>	<u>(5,565)</u>	<u>9,273,741</u>
Governmental activities capital assets, net	\$ <u>9,468,483</u>	<u>5,387,324</u>	<u>(1,074,041)</u>	<u>13,781,766</u>

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	Restated Balance <u>12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/03</u>
<u>Business-type Activities</u>				
Non-depreciable capital assets:				
Land	\$ 314,415	-	-	314,415
Construction in progress	<u>189,802</u>	<u>90,043</u>	<u>(208,429)</u>	<u>71,416</u>
Non-depreciable capital assets	<u>204,217</u>	<u>90,043</u>	<u>(208,429)</u>	<u>385,831</u>
Depreciable capital assets:				
Buildings	610,827	208,429	-	819,256
Improvements	82,000	-	-	82,000
Equipment	2,403,210	51,644	(2,300)	2,452,554
Vehicles	376,215	10,476	-	386,691
Infrastructure	<u>4,202,911</u>	<u>18,488</u>	<u>(1,698)</u>	<u>4,219,701</u>
Depreciable capital assets	<u>7,675,163</u>	<u>289,037</u>	<u>(3,998)</u>	<u>7,960,202</u>
Less: accumulated depreciation				
Buildings	(277,093)	(16,896)	-	(293,989)
Improvements	(72,050)	(3,840)	-	(75,890)
Equipment	(1,955,286)	(130,669)	2,300	(2,083,655)
Vehicles	(153,382)	(51,004)	-	(204,386)
Infrastructure	<u>(2,585,987)</u>	<u>(51,032)</u>	<u>848</u>	<u>(2,636,171)</u>
Accumulated Depreciation	<u>(5,043,798)</u>	<u>(253,441)</u>	<u>3,148</u>	<u>(5,294,091)</u>
Depreciable capital assets, net	<u>2,631,365</u>	<u>35,596</u>	<u>(850)</u>	<u>2,666,111</u>
Business-type activities				
capital assets, net	\$ <u>3,135,582</u>	<u>125,639</u>	<u>(209,279)</u>	<u>3,051,942</u>

\* - Depreciation expense was charged to governmental functions as follows:

General government	\$ 153,394
Security of person & property	88,548
Community environment	17,745
Transportation	57,203
Leisure time activities	65,456
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>153,383</u>
Total depreciation expense – governmental activities	\$ <u>535,729</u>

**CITY OF OAKWOOD, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

---

**Note 8 - Defined Benefit Pension Plans:**

Both the Ohio Police and Firemen's Disability and Pension Fund and the Ohio 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 (OPERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans were required to contribute 8.5% of their annual covered salaries. The City's contribution rate for pension benefits for 2003 was 13.55%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$502,283, \$397,777, and \$347,666 respectively; 93% has been contributed for 2003 and 100% for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$355 made by the City and \$223 made by the plan members.

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.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5%, as the City has a Safety Department that is a combined Police and Fire Department. The City's contributions to OP&F for the years ending December 31, 2003, 2002 and 2001 were \$561,967, \$497,316 and \$382,720. The unpaid contribution for 2003 is \$127,137 and a long-term obligation and therefore is reported in the statement of net assets for governmental activities. Total contributions for 2003 represented 77% of required contributions for the year, with 100% being contributed for 2002 and 2001.

**Note 9 - Postemployment Benefits:**

Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.31% of covered payroll; 5.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$25,114. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader 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.

**CITY OF OAKWOOD, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

---

The benefit recipient will be free to select the option that best meets 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 their allowance toward specific medical expenses, much like a Medical Spending Account.

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-two if attending full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. 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.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$32,773. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

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 \$327,311 at December 31, 2003.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of ten hours per month. A maximum of 150 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 one day's pay for every three days accrued. An employee who has accumulated 120 days or more 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, 2003 was \$176,922.

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Note 10 - 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 2003, 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	\$ 22,999,580	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	1,278,788	500
Fire vehicle	392,500	1,000
Automobile	5,000,000	1,000*
EDP	215,734	500
Bond	100,000	0

\* on selected vehicles. Others have no deductible

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 receive health insurance benefits through Anthem Blue Access PPO with 5% of premiums paid by the employee effective November 2003 for Administration and Public Works employees and effective January 2004 for Public Safety employees. 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 Anthem Life. Vision benefits will continue to be provided through self-insurance.

**Note 11 - Long-Term Obligations:**

A schedule of changes in long-term obligations of the City during 2003, follows:

	Amount Outstanding 12/31/02	Additions	Deletions	Amount Outstanding 12/31/03	Amounts Due in One Year
<b><u>Governmental Activities:</u></b>					
Police and Fire Pension	\$ 629,679	\$ -	\$ 9,278	\$ 620,401	\$ 9,676
Compensated absences Payable	433,725	785,932	751,913	467,744	-
Total Governmental Activities	<u>\$ 1,063,404</u>	<u>\$ 785,932</u>	<u>\$ 961,191</u>	<u>\$ 1,088,145</u>	<u>\$ 9,676</u>
<b><u>Business-Type Activities:</u></b>					
OWDA Loan Payable	\$ 349,094	\$ -	\$ 25,859	\$ 323,235	\$ 25,859
Compensated Absences Payable	36,622	41,458	41,591	36,489	-
Total Business-Type Activities	<u>\$ 385,716</u>	<u>\$ 41,458</u>	<u>\$ 67,450</u>	<u>\$ 359,724</u>	<u>\$ 25,859</u>

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

The police and fire pension obligation payable was entered into in 1981, with a total principal amount financed of \$718,825. These obligations payable were offered to assist governments throughout the State of Ohio to fund their unfunded pension costs associated with police and fire service. This obligation is being repaid through the use of local property tax revenues where the proceeds received are to be used to pay this pension obligation.

In 1996, the City received an interest free loan through the State of Ohio's Public Works Commission Issue II program in the amount of \$517,177. This loan was used to improve the City's sanitary sewer system. Financing of this obligation is made from the operating revenues recognized in the sewer fund of the City.

Compensated absences will be paid from the fund in which the employee who has earned the leave is paid from. Since the City does not anticipate that any employees will retire during 2004, the entire amount of compensated absences is reported as due in more than one year.

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$22.3 million.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2003 were:

Year Ending December 31,	Police and Fire Pension		OWDA Loan Payable	
	Principal	Interest	Principal	Interest
2004	\$ 9,676	\$ 26,265	\$ 25,859	\$ -
2005	10,091	25,850	25,859	-
2006	10,525	25,416	25,859	-
2007	10,977	24,964	25,859	-
2008	11,449	24,493	25,859	-
2009-2013	65,055	114,651	129,294	-
2014-2018	80,279	99,427	64,646	-
2019-2023	99,065	80,641	-	-
2024-2028	122,248	57,458	-	-
2029-2033	150,856	28,850	-	-
2034-2035	50,180	2,115	-	-
Totals	\$ 620,401	\$ 510,130	\$ 323,235	\$ -

**Note 12 - Short-Term Obligations:**

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

Fund Type	Balance	Increase	Decrease	Balance
	December 31, 2002			December 31, 2003
General Fund				
2002 – 2.25%	\$ 3,900,000	-	3,900,000	-
2003 – 1.25%	-	3,550,000	-	3,550,000
	\$ <u>3,900,000</u>	<u>3,550,000</u>	<u>3,900,000</u>	<u>3,550,000</u>

During 2003, the City issued \$3.55 million in Capital Facilities Notes that will mature on March 18,

**CITY OF OAKWOOD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

2004. The proceeds of these notes were used to pay the debt service on \$3.9 million of 2002 Capital Facilities Notes that matured during the year. These notes were original issued to provide financing for the reconstruction of and addition to the City's municipal building. These notes will be paid from general revenues and are backed by the full faith and credit of the City.

**Note 13 - 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, 2003 to December 31, 2003 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.

**Note 14 – Subsequent Events:**

In March 2004, the City issued \$3.0 million worth of capital facilities notes to provide funds to retire the \$3.55 million worth of notes which matured that same month.

Also in March 2004, the City obtained Council approval to place a \$500,000 deposit down for the purchase of 31.8 acres of land from a local company to be used for future expansion of the City as it deems fit. The decision whether place the deposit and initiate purchase of the property will be made once the City hears the results of a feasibility study currently under way.

**CITY OF OAKWOOD**  
Elected and Appointed Officials  
December 31, 2003

---

<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	1/1/00 to 5/19/03
Richard A. Killworth	Council Member	1/1/00 to 12/31/03
Carlo C. McGinnis	Council Member	1/1/86 to 12/31/05
William D. Duncan	Council Member	5/20/03 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

Oakwood Municipal Court

Robert Deddens	Judge	1/1/96 to 12/31/07
Louise Ackerman	Clerk of Courts	Appointed

\* - Council member deceased 5/19/2003. William D. Duncan selected by City Council to fulfill term to 12/31/03. Council member Richard A. Killworth served as Vice-Mayor from 5/19/03 to 12/31/03.

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  
www.cshco.com

## 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

Honorable Mayor, City Council  
and City Manager  
City of Oakwood, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood, Ohio, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2004, in which we noted the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government's*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government's: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. 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 basic 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 basic 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 basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the City of Oakwood in a separate letter dated June 18, 2004.

This report is intended solely for the information and use of the audit committee, management, City Council, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Springfield, Ohio  
June 18, 2004





**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  
AUGUST 24, 2004**