

CITY OF OAKWOOD, OHIO

Basic Financial Statements

December 31, 2005

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the City of Oakwood, Montgomery County, prepared by Clark, Schaefer, Hackett & Co. for the audit period January 1, 2005 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 25, 2006

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 Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP) and Actual – Refuse Fund	18
Statement of Fund Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Assets and Liabilities – Agency Funds	22
Notes to the Basic Financial Statements	23 – 43
Elected and Appointed Officials	44
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	45 – 46

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Refuse Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, the City has implemented new financial reporting standards as required by the provisions of GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2006, on our consideration of the City Oakwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 26, 2006

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(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, 2005. 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, 2005 are as follows:

- Total net assets decreased by \$975,000, which represents a 2.9 percent decrease from 2004. This decrease was due primarily to the larger operating losses reported by the City's enterprise funds.
- Total assets of the City decreased by \$744,000 from those reported at December 31, 2004. The reduction in taxes receivable reported for 2005 was the result of there being fewer delinquent taxes at December 31, 2005 compared with the prior year's delinquent amounts.
- The net assets of the City's business-type activities decreased by nearly \$1.06 million during 2005. Of this amount, approximately \$475,000 was attributed to the City determining to expense replacement water meters in 2005 rather than capitalizing them as it had done in previous years. Another \$225,000 of the decrease in net assets was attributed to the business-type activities recording the proportional share of the loss reported by the City's internal service fund for the year.
- The \$5.1 million unreserved, undesignated ending fund balance reported in the General Fund represents 54 percent of the total expenditures and transfers out reported in the General Fund for 2005.

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 the 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.

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 2005?" 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.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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

Fund financial reports provide detailed information about each major fund. The major funds of the City include the General, Refuse Collection, 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.

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.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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 \$33 million at December 31, 2005.

Table 1 provides a summary of the City's net assets for 2005 compared to 2004:

TABLE 1
NET ASSETS (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and Other Assets	\$ 17,470	\$ 17,074	\$ 2,619	\$ 3,375	\$ 20,089	\$ 20,449
Capital Assets, Net	17,376	17,529	2,757	2,988	20,133	20,517
Total Assets	34,846	34,603	5,376	6,363	40,222	40,966
Liabilities:						
Current and Other Liabilities	5,567	5,425	213	120	5,780	5,545
Long-Term Liabilities:						
Due within One Year	90	10	34	26	124	36
Due in more than One Year	1,039	1,102	281	310	1,320	1,412
Total Liabilities	6,696	6,537	528	456	7,224	6,993
Net Assets:						
Invested in Capital Assets, Net of Related Debt	14,526	14,329	2,486	2,691	17,012	17,020
Restricted:						
Capital Projects	474	531	-	-	474	531
Endowment	54	54	-	-	54	54
Other Purposes	368	409	-	-	368	409
Unrestricted	12,728	12,743	2,362	3,216	15,090	15,959
Total Net Assets	\$ 28,150	\$ 28,066	\$ 4,848	\$ 5,907	\$ 32,998	\$ 33,973

As displayed in Table 1, total net assets of the City as a whole, decreased by nearly \$975,000 from total net assets reported at December 31, 2004. While the governmental activities reported a modest increase in net assets during 2005, the business-type activities showed a decrease in net assets of \$1.06 million for the year. About half of the decrease is explained by the City determining in 2005 to expense replacement of water meters. The cost of the replacement meters had been capitalized in prior years and depreciated in subsequent periods. As the cost of the individual meters did not meet the City's capitalization threshold amount, it was determined to expense the replacement meters as materials and supplies beginning in 2005 and after.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Total unrestricted net assets decreased by approximately \$869,000 million from those reported at December 31, 2004, while restricted net assets decreased by \$98,000 and net assets invested in capital assets, net of related debt decreased by approximately \$8,000. While the City spent over \$8 million to complete renovate and expand the City's municipal building, most of the costs were capitalized in prior years as construction in progress. Occupation of the municipal building was realized in late 2004 for most departments and for all departments by early 2005.

Table 2 shows the changes in net assets for the year ended December 31, 2005 as compared with the year end December 31, 2004.

TABLE 2
CHANGES IN NET ASSETS (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,546	\$ 1,290	\$ 2,156	\$ 1,931	\$ 3,702	\$ 3,221
Operating Grants/Contributions	396	334	-	-	396	334
Capital Grants/Contributions	25	-	-	-	25	-
General Revenues:						
Municipal Income Taxes	5,242	5,293	-	-	5,242	5,293
Property and Other Taxes	1,768	1,990	-	-	1,768	1,990
Grants and Entitlements	1,877	1,525	-	-	1,877	1,525
Other	488	530	36	81	524	611
Total Revenues	<u>11,342</u>	<u>10,962</u>	<u>2,192</u>	<u>2,012</u>	<u>13,534</u>	<u>12,974</u>
Program Expenses:						
Security of Person & Property	4,327	4,346	-	-	4,327	4,346
Public Health Services	99	89	-	-	99	89
Leisure Time Activities	1,047	1,152	-	-	1,047	1,152
Community Environment	1,862	1,950	-	-	1,862	1,950
Transportation	1,474	1,069	-	-	1,474	1,069
General Government	2,347	2,558	-	-	2,347	2,558
Interest and Fiscal Charges	102	44	-	-	102	44
Water	-	-	1,811	810	1,811	810
Sewer	-	-	1,440	1,147	1,440	1,147
Total Expenses	<u>11,258</u>	<u>11,208</u>	<u>3,251</u>	<u>1,957</u>	<u>14,509</u>	<u>13,165</u>
Excess(Deficit) before Transfers	84	(246)	(1,059)	55	(975)	(191)
Transfers	-	144	-	(144)	-	-
Changes in Net Assets	<u>\$ 84</u>	<u>\$ (102)</u>	<u>\$ (1,059)</u>	<u>\$ (89)</u>	<u>\$ (975)</u>	<u>\$ (191)</u>

Governmental Activities

During 2005, total net assets reported in the governmental activities increased by approximately \$84,000. The \$405,000 increase in transportation expenses were attributed to the City focusing on repair and maintenance of the City's streets during 2005, including significant resurfacing projects throughout the City. The increase reported for the transportation function was virtually offset by slight decreases in other functional expense reported for the year. In total, program expenses reported for 2005 were only \$50,000 higher than those reported for 2004, an increase of less than one-half of one percent. Total revenues reported for 2005 increased by \$380,000 over those

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

reported for 2004. The largest increase was reported in the intergovernmental grants and entitlements, where the City received a higher amount of estate shared taxes in 2005 as well as increases in other state funding which had been cut in recent years due to the budget situation of the State of Ohio. The amount of funding received from estate taxes varies from year to year due to the nature of the revenue and as the budget condition of the State improved over the year, some of the cuts that were instituted in prior years were relaxed.

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

	<u>Percentage of Total Program Expenses</u>	<u>Net Expense of Function</u>	<u>Percentage of Function Financed with General Revenues</u>
Security of Person & Property	38.44%	\$ 4,056,764	93.75%
Public Health Services	0.88%	75,644	76.11%
Leisure Time Activities	9.30%	543,655	51.92%
Community Environment	16.54%	1,546,032	83.03%
Transportation	13.09%	1,110,246	75.33%
General Government	20.84%	1,856,855	79.13%
Interest & Fiscal Charges	<u>0.91%</u>	<u>101,874</u>	100.00%
Total	<u>100.00%</u>	<u>\$ 9,291,070</u>	82.53%

As indicated by Table 3, the City is spending the majority of its resources (55 percent) on security of person and property as well as community environment activities. While the operation of the police and fire departments is 38 percent of total program expenses, revenues generated by those two departments covers only 6.25 percent of functional expenses. This means that general revenues collected by the city, principally municipal income taxes and property taxes, must cover the remaining 93.75 percent of expenses reported by those departments. 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 20.8 percent of the total governmental expenses. Most of the program revenue generated by this function is associated with court fees and fines, as well as other charges for services and operating grants. 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 48.1 percent of the leisure time activities functional expenses. Operating grants received from the State of Ohio covered 24.7 percent of the expenses related to the transportation function. Expenses associated with street resurfacing, street maintenance, snow removal and operation of the public works department are all included within the transportation function.

General revenues comprise 82.7 percent of the total governmental revenues collected by the City during 2005. Principal components of general revenues, municipal income taxes (55.9 percent) and local property taxes (18.9 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, 2005
(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. The water department reported an operating loss of \$673,515 during 2005 compared to the operating income of \$34,804 reported for 2004. The expensing of the replacement water meters during 2005 accounts for nearly \$475,000 of the operating loss. At December 31, 2005 the unrestricted net assets represented 66.4 percent of the operating expenses reported for 2005.

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 in the collection and disposal of wastewater. The sewer department recognized an operating loss of \$222,143 during 2005 as compared with an operating loss of \$201,729 reported for 2004. Increases in operating expenses including payments to other communities for treatment of sewage as well as increases in the cost of materials, offset the 22.1 percent increase in charges for services reported for the year.

Overall, the City's business-type activities generated \$2.2 million in program revenue during 2005, while program expenses were nearly \$3.3 million. The operating expense of the business-type activities increased by \$1.3 million from those reported for 2004; primarily attributed to the expensing of the replacement water meters as well as the recognition of the water and sewer funds' proportional share of the internal service funds losses for 2005. While the business-type activities incurred an overall decrease in net assets of \$1.1 million, it should be noted that the unrestricted net assets of the business-type activities totaled \$1.6 million at the end of 2005. The amount of unrestricted net assets for business-type activities reported at December 31, 2005 equaled 48.5 percent of the total expenses reported for business-type activities for 2005. 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

The governmental funds of the City are reported using the modified accrual basis of accounting. These funds had total revenues of \$11.9 million and expenditures of \$11.3 million for 2005. In total, the governmental funds reported a \$626,825 increase in total fund balance for the year. In 2004, the fund balance of the City's governmental funds decreased by nearly \$4.4 million. Most of the decrease reported in 2004 was associated with the renovation of the municipal building and as that project is now complete, the change in fund balance should become more consistent from year to year. The 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; unreserved fund balance of governmental funds at December 31, 2005 was \$9.7 million, or 85.5 percent of the total expenditures reported for the governmental funds for 2005.

The City's General Fund realized a \$826,964 increase in fund balance during 2005. The additional estate shared tax and municipal income taxes received in 2005 compared with those received in 2004 accounted for the majority of the increase in fund balance. In addition, the General Fund was the fund that was being used to financing the renovation project of the municipal building in prior years. The City transfers general fund revenues to other funds (recreation, street maintenance, state highway maintenance, and others) to provide operating funds to finance the purpose of these funds, as well as to the capital improvements projects to fund various purchases and construction of capital assets. In 2005, the General Fund transferred nearly \$2.5 million to other funds. The City's

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

other major governmental fund, Refuse Collection Fund, reported an increase in fund balance in 2005 amounting to \$89,582, with \$1.1 million being provided through a transfer from the General Fund.

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 2005, the City amended its budgeted expenditures once. 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 \$8.6 million as compared to the actual revenues received of \$10.5 million. The significant positive variance realized in revenue was the result of the City receiving higher than anticipated municipal income and estate tax revenues during 2005. The improving economy of the area contributed to the higher income tax receipts. The 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 \$380,000 by \$54,011 during 2005. The additional interest receipts are due primarily to higher yields on the City's investments than those realized during 2004, as well as increasing balances of funds available for investment.

Due to the City's continuing efforts to control expenditures, actual budgetary expenditures were \$162,468 less than the \$10.7 million final budget amount for 2005. The actual budgetary expenditures were \$32,332 higher than City's original expenditure budget adopted prior to the beginning of the year, or less than one-half of one percent higher than the original budget amounts. The ending budgetary fund balance of the general fund increased by \$336,474 to \$7.9 million as of December 31, 2005. The ending budgetary fund balance or unencumbered fund balance reported for at the end of the year was 75.2 percent of the total budgetary expenditures of the General Fund for 2005.

Capital Assets

At the end of fiscal year 2005, the City had a total of \$31.3 million invested in capital assets less accumulated depreciation of \$11.2 million resulting in total capital assets, net of accumulated depreciation of \$20.1 million.

Capital outlay expenditures during 2005 were not as significant as they have been in the past few years. The completion of the \$8.1 million renovation and expansion of the municipal building was completed near the end of 2004 and was completely occupied by all departments in early 2005. Approximately \$500,000 was spent in 2005 on completing this project. An additional \$200,000 was spent on various other improvement projects and purchases of equipment during the year.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Table 4 shows 2005 capital asset balances compared to those of 2004:

TABLE 4
CAPITAL ASSETS, NET (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 368	\$ 368	\$ 314	\$ 314	\$ 682	\$ 682
Buildings	13,161	5,461	492	506	13,653	5,967
Improvements	77	82	99	106	176	188
Equipment	605	680	238	325	843	1,005
Vehicles	363	554	89	134	452	688
Infrastructure	2,278	2,325	1,525	1,603	3,803	3,928
Construction in Progress	524	8,059	-	-	524	8,059
Total	<u>\$ 17,376</u>	<u>\$ 17,529</u>	<u>\$ 2,757</u>	<u>\$ 2,988</u>	<u>\$ 20,133</u>	<u>\$ 20,517</u>

Accumulated depreciation of \$5.6 million and \$5.7 million, reported in the governmental activities and business-type activities respectively, offset the assets capitalized during the year resulting in decrease in total net book value of the City's capital assets of \$384,000.

Additional information on the City's capital assets can be found in Note 6 to the basic financial statements.

Debt Administration

At December 31, 2005, the City had a total of \$3.7 million of short and long-term debt obligations compared with \$4.1 million reported at December 31, 2004.

Governmental debt obligations include \$2,850,000 in capital facility improvement notes and a \$600,634 police and fire pension liability. During 2005, the BAN was reduced by \$350,000 using General Fund revenues and the police and fire pension liability was reduced by \$10,091 using property taxes levied and collected for the repayment of this liability.

The \$271,517 OWDA loan reported in the City's water fund was reduced by \$25,859 from the \$297,376 reported on December 31, 2004. This is an interest free loan which was used to improve the City's sanitary sewer system and is being repaid through operating revenues of the sewer fund.

At December 31, 2005, the City's overall legal debt margin was \$26.4 million and the unvoted debt margin was \$12.5 million. See Notes 10 and 11 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, 2005

	Governmental Activities	Business- Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 13,825,346	1,313,039	15,138,385
Cash and Cash Equivalents in Segregated Accounts	23,334	-	23,334
Receivables:			
Taxes	3,466,766	-	3,466,766
Accounts	60,460	454,143	514,603
Intergovernmental	496,182	-	496,182
Accrued Interest	95,337	9,545	104,882
Special Assessments	122,290	-	122,290
Inventory of Supplies and Materials	104,000	88,418	192,418
Prepaid Items	26,979	2,973	29,952
Internal Balances	(751,182)	751,182	-
Non-Depreciable Capital Assets	892,193	314,415	1,206,608
Depreciable Capital Assets, Net	16,484,040	2,442,912	18,926,952
Total Assets	34,845,745	5,376,627	40,222,372
Liabilities:			
Accounts Payable	87,272	97,291	184,563
Contracts Payable	308,391	-	308,391
Accrued Salaries Payable	101,763	10,438	112,201
Intergovernmental Payable	334,312	105,545	439,857
Accrued Interest Payable	67,697	-	67,697
Notes Payable	2,850,000	-	2,850,000
Unearned Revenue	1,817,159	-	1,817,159
Long Term Liabilities:			
Due within One Year	89,750	34,404	124,154
Due in More Than One Year	1,039,031	280,731	1,319,762
Total Liabilities	6,695,375	528,409	7,223,784
Net Assets:			
Invested in Capital Assets, Net of Related Debt	14,526,233	2,485,810	17,012,043
Restricted for:			
Capital Projects	474,223	-	474,223
Endowment:			
Nonexpendable	50,000	-	50,000
Expendable	3,996	-	3,996
Other Purpose	367,896	-	367,896
Unrestricted	12,728,022	2,362,408	15,090,430
Total Net Assets	\$ 28,150,370	4,848,218	32,998,588

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO
Statement of Activities
For the Year Ended December 31, 2005

	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
Governmental Activities:							
Security of Persons and Property	\$ 4,327,066	227,497	42,805	-	(4,056,764)	-	(4,056,764)
Public Health Services	99,384	21,015	2,725	-	(75,644)	-	(75,644)
Leisure Time Activities	1,047,167	491,773	11,739	-	(543,655)	-	(543,655)
Community Environment	1,862,063	316,031	-	-	(1,546,032)	-	(1,546,032)
Transportation	1,473,797	-	338,551	25,000	(1,110,246)	-	(1,110,246)
General Government	2,346,641	489,786	-	-	(1,856,855)	-	(1,856,855)
Interest and Fiscal Charges	101,874	-	-	-	(101,874)	-	(101,874)
Total Governmental Activities	<u>11,257,992</u>	<u>1,546,102</u>	<u>395,820</u>	<u>25,000</u>	<u>(9,291,070)</u>	<u>-</u>	<u>(9,291,070)</u>
Business-Type Activities:							
Water	1,810,578	930,019	-	-	-	(880,559)	(880,559)
Sewer	1,440,102	1,225,538	-	-	-	(214,564)	(214,564)
Total Business-Type Activities	<u>3,250,680</u>	<u>2,155,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,095,123)</u>	<u>(1,095,123)</u>
Total	<u>\$ 14,508,672</u>	<u>3,701,659</u>	<u>395,820</u>	<u>25,000</u>	<u>(9,291,070)</u>	<u>(1,095,123)</u>	<u>(10,386,193)</u>
General Revenues:							
Municipal income taxes levied for:							
General purposes					5,241,735	-	5,241,735
Property taxes levied for:							
General purposes					1,693,885	-	1,693,885
Police and fire pension					74,364	-	74,364
Grants and entitlements not restricted to specific programs							
Investment earnings					1,876,522	-	1,876,522
Miscellaneous					397,497	36,267	433,764
					91,322	-	91,322
Total General Revenues					<u>9,375,325</u>	<u>36,267</u>	<u>9,411,592</u>
Changes in net assets					84,255	(1,058,856)	(974,601)
Net assets at beginning of year					<u>28,066,115</u>	<u>5,907,074</u>	<u>33,973,189</u>
Net assets at end of year					<u>\$ 28,150,370</u>	<u>4,848,218</u>	<u>32,998,588</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Balance Sheet
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Refuse</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 8,083,716	690,617	4,905,733	13,680,066
Cash and Cash Equivalents in Segregated Accounts	20,236	-	3,098	23,334
Receivables:				
Taxes	3,362,605	-	104,161	3,466,766
Accounts	-	60,460	-	60,460
Special Assessments	-	-	122,290	122,290
Accrued Interest	90,965	-	4,372	95,337
Intergovernmental Receivable	335,856	-	160,326	496,182
Inventory of Supplies and Materials	30,241	10,538	48,550	89,329
Prepaid Items	<u>17,860</u>	<u>432</u>	<u>8,321</u>	<u>26,613</u>
Total Assets	\$ <u>11,941,479</u>	<u>762,047</u>	<u>5,356,851</u>	<u>18,060,377</u>
Liabilities:				
Accounts Payable	\$ 42,683	15,859	24,680	83,222
Contracts Payable	-	-	308,391	308,391
Accrued Salaries Payable	67,021	15,411	15,948	98,380
Accrued Interest Payable	67,697	-	-	67,697
Intergovernmental Payable	263,746	27,134	37,511	328,391
Deferred Revenue	3,263,962	36,406	365,357	3,665,725
Notes Payable	<u>2,850,000</u>	<u>-</u>	<u>-</u>	<u>2,850,000</u>
Total Liabilities	<u>6,555,109</u>	<u>94,810</u>	<u>751,887</u>	<u>7,401,806</u>
Fund Balances:				
Reserved for Encumbrances	208,108	39,352	397,996	645,456
Reserved for Inventory of Supplies and Materials	30,241	10,538	48,550	89,329
Reserved for Bullock Endowment	-	-	50,000	50,000
Unreserved:				
Designated for Memorial Gardens Improvements	-	-	211,925	211,925
Undesignated, Reported in:				
General Fund	5,148,021	-	-	5,148,021
Special Revenue Funds	-	617,347	1,810,951	2,428,298
Capital Project Funds	-	-	2,082,864	2,082,864
Permanent Fund	<u>-</u>	<u>-</u>	<u>2,678</u>	<u>2,678</u>
Total Fund Balance	<u>5,386,370</u>	<u>667,237</u>	<u>4,604,964</u>	<u>10,658,571</u>
Total Liabilities and Fund Balance	\$ <u>11,941,479</u>	<u>762,047</u>	<u>5,356,851</u>	<u>18,060,377</u>

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, 2005

Total Governmental Fund Balances \$ 10,658,571

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 12,179,741

Other long-term assets are not available to pay for current-period
 expenditures and therefore are deferred in the funds:

Municipal income taxes	1,329,362
Property and other taxes	21,372
Special assessments	122,290
Intergovernmental	234,254
Charges for services	36,406
Accrued interest	<u>104,882</u>

Total 1,848,566

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 5,338,888

The internal balance represents the portion of the internal services
 funds' assets and liabilities that are allocated to the enterprise funds. (751,182)

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	(600,634)
Compensated absences payable	<u>(523,580)</u>

Total (1,124,214)

Net Assets of Governmental Activities \$ 28,150,370

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, 2005

	General	Refuse	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal Income Taxes	\$ 5,363,678	-	-	5,363,678
Property and Other Taxes	1,571,412	-	203,960	1,775,372
Intergovernmental	2,426,364	-	325,857	2,752,221
Special Assessments	-	6,455	138,587	145,042
Charges for Services	461,694	265,149	488,595	1,215,438
Fines, Licenses and Permits	126,247	-	68,590	194,837
Interest	353,791	-	18,768	372,559
Donations	-	-	12,739	12,739
Other	14,903	19,273	57,146	91,322
Total Revenues	<u>10,318,089</u>	<u>290,877</u>	<u>1,314,242</u>	<u>11,923,208</u>
Expenditures:				
Current:				
Security of Persons and Property	3,983,984	-	231,483	4,215,467
Public Health Services	-	-	91,974	91,974
Leisure Time Activities	-	-	994,002	994,002
Community Environment	428,595	1,320,295	-	1,748,890
Transportation	-	-	849,320	849,320
General Government	1,982,300	-	8,033	1,990,333
Capital Outlay	554,003	-	740,429	1,294,432
Debt Service:				
Principal Retirement	-	-	10,091	10,091
Interest and Fiscal Charges	76,024	-	25,850	101,874
Total Expenditures	<u>7,024,906</u>	<u>1,320,295</u>	<u>2,951,182</u>	<u>11,296,383</u>
Excess of Revenues Over(Under) Expenditures	<u>3,293,183</u>	<u>(1,029,418)</u>	<u>(1,636,940)</u>	<u>626,825</u>
Other Financing Sources (Uses):				
Transfers-In	-	1,119,000	1,711,495	2,830,495
Transfers-Out	(2,466,219)	-	(364,276)	(2,830,495)
Total Other Financing Sources (Uses)	<u>(2,466,219)</u>	<u>1,119,000</u>	<u>1,347,219</u>	<u>-</u>
Net Change in Fund Balances	826,964	89,582	(289,721)	626,825
Fund Balance at Beginning of Year - Restated	<u>4,559,406</u>	<u>577,655</u>	<u>4,894,685</u>	<u>10,031,746</u>
Fund Balance at End of Year	<u>\$ 5,386,370</u>	<u>667,237</u>	<u>4,604,964</u>	<u>10,658,571</u>

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, 2005

Net Change in Fund Balance - Total Governmental Funds \$ 626,825

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	697,528	
Depreciation	<u>(701,807)</u>	
 Total		 (4,279)

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.

10,091

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.

59,328

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.

(580,961)

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	<u>(26,749)</u>	
 Total		 <u>(26,749)</u>

Change in Net Assets of Governmental Activities \$ 84,255

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Municipal Income Taxes	\$ 4,800,000	4,800,000	5,455,016	655,016
Property and Other Taxes	1,565,000	1,565,000	1,571,412	6,412
Intergovernmental	1,112,100	1,112,100	2,426,364	1,314,264
Charges for Services	534,450	534,450	461,694	(72,756)
Fines, Licenses and Permits	151,650	151,650	114,445	(37,205)
Interest	380,000	380,000	434,011	54,011
Other	31,200	31,200	14,903	(16,297)
Total Revenues	<u>8,574,400</u>	<u>8,574,400</u>	<u>10,477,845</u>	<u>1,903,445</u>
Expenditures:				
Current:				
Security of Persons and Property	3,967,579	3,967,579	4,008,514	(40,935)
Community Environment	446,576	446,576	458,761	(12,185)
General Government	2,215,549	2,215,349	2,036,038	179,311
Capital Outlay	623,116	818,116	781,950	36,166
Debt Service:				
Principal Retirement	3,200,000	3,200,000	3,200,000	-
Interest and Fiscal Charges	40,000	40,000	39,889	111
Total Expenditures	<u>10,492,820</u>	<u>10,687,620</u>	<u>10,525,152</u>	<u>162,468</u>
Excess of Revenues Over(Under)				
Expenditures	<u>(1,918,420)</u>	<u>(2,113,220)</u>	<u>(47,307)</u>	<u>2,065,913</u>
Other Financing Sources (Uses):				
Transfers-Out	(2,427,393)	(2,627,393)	(2,466,219)	161,174
Proceeds from the Sale of Notes	2,850,000	2,850,000	2,850,000	-
Total Other Financing Sources (Uses)	<u>422,607</u>	<u>222,607</u>	<u>383,781</u>	<u>161,174</u>
Change in Fund Balance	(1,495,813)	(1,890,613)	336,474	2,227,087
Fund Balance at Beginning of Year	7,004,375	7,004,375	7,004,375	-
Prior Year Encumbrances Appropriated	571,714	571,714	571,714	-
Fund Balance at End of Year	<u>\$ 6,080,276</u>	<u>5,685,476</u>	<u>7,912,563</u>	<u>2,227,087</u>

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
Refuse Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 267,200	267,200	265,595	(1,605)
Special Assessments	10,000	10,000	6,455	(3,545)
Other	<u>16,800</u>	<u>16,800</u>	<u>19,273</u>	<u>2,473</u>
Total Revenues	<u>294,000</u>	<u>294,000</u>	<u>291,323</u>	<u>(2,677)</u>
Expenditures:				
Current:				
Community Environment	<u>1,552,535</u>	<u>1,552,535</u>	<u>1,354,960</u>	<u>197,575</u>
Total Expenditures	<u>1,552,535</u>	<u>1,552,535</u>	<u>1,354,960</u>	<u>197,575</u>
Excess of Revenues Over(Under) Expenditures	<u>(1,258,535)</u>	<u>(1,258,535)</u>	<u>(1,063,637)</u>	<u>194,898</u>
Other Financing Sources:				
Transfers-In	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,119,000</u>	<u>119,000</u>
Change in Fund Balance	(258,535)	(258,535)	55,363	313,898
Fund Balance at Beginning of Year	575,121	575,121	575,121	-
Prior Year Encumbrances Appropriated	<u>19,947</u>	<u>19,947</u>	<u>19,947</u>	<u>-</u>
Fund Balance at End of Year	\$ <u><u>336,533</u></u>	<u><u>336,533</u></u>	<u><u>650,431</u></u>	<u><u>313,898</u></u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Fund Net Assets

Proprietary Funds

December 31, 2005

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
Assets:				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 841,749	471,290	1,313,039	145,280
Accounts Receivable	190,995	263,148	454,143	-
Accrued Interest Receivable	6,303	3,242	9,545	-
Inventory of Supplies and Materials	88,124	294	88,418	14,671
Prepaid Items	1,469	1,504	2,973	366
Total Current Assets	1,128,640	739,478	1,868,118	160,317
Non-Current Assets				
Capital Assets, Net	1,871,564	885,763	2,757,327	5,196,492
Total Assets	3,000,204	1,625,241	4,625,445	5,356,809
Liabilities:				
Current Liabilities				
Accounts Payable	34,379	62,912	97,291	4,050
Accrued Salaries Payable	6,505	3,933	10,438	3,383
Intergovernmental Payable	11,713	93,832	105,545	5,921
OWDA Loan - Current Portion	-	25,859	25,859	-
Compensated Absences Payable	3,535	5,010	8,545	-
Total Current Liabilities	56,132	191,546	247,678	13,354
Long-Term Liabilities				
OWDA Loan	-	245,658	245,658	-
Compensated Absences Payable	20,037	15,036	35,073	4,567
Total Long-Term Liabilities	20,037	260,694	280,731	4,567
Total Liabilities	76,169	452,240	528,409	17,921
Net Assets:				
Invested in Capital Assets	1,871,564	635,095	2,506,659	5,196,462
Unrestricted	1,052,471	537,906	1,590,377	142,426
Total Net Assets	\$ 2,924,035	1,173,001	4,097,036	5,338,888

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.

751,182

\$ 4,848,218

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 895,547	1,201,199	2,096,746	510,236
Other Operating Revenue	<u>15,361</u>	<u>2,691</u>	<u>18,052</u>	<u>19,447</u>
Total Operating Revenue	<u>910,908</u>	<u>1,203,890</u>	<u>2,114,798</u>	<u>529,683</u>
Operating Expenses:				
Personal Services	387,699	202,518	590,217	198,022
Contractual Services	376,198	997,331	1,373,529	68,498
Supplies and Materials	613,968	160,399	774,367	264,263
Claims	-	-	-	10,626
Depreciation	184,219	57,561	241,780	149,663
Other Operating Expenses	<u>22,339</u>	<u>8,224</u>	<u>30,563</u>	<u>-</u>
Total Operating Expenses	<u>1,584,423</u>	<u>1,426,033</u>	<u>3,010,456</u>	<u>691,072</u>
Operating Loss	<u>(673,515)</u>	<u>(222,143)</u>	<u>(895,658)</u>	<u>(161,389)</u>
Non-Operating Expenses:				
Interest	24,083	12,184	36,267	-
Loss on disposal of capital assets	(19,507)	-	(19,507)	-
Special Assessments	<u>19,111</u>	<u>21,648</u>	<u>40,759</u>	<u>-</u>
Total Non-Operating Expenses	<u>23,687</u>	<u>33,832</u>	<u>57,519</u>	<u>-</u>
Net Loss	(649,828)	(188,311)	(838,139)	(161,389)
Net Assets at the Beginning of the Year	<u>3,573,863</u>	<u>1,361,312</u>		<u>5,500,277</u>
Net Assets at the End of the Year	\$ <u>2,924,035</u>	<u>1,173,001</u>		<u>5,338,888</u>

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 actives.

(220,717)
\$ (1,058,856)

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 901,995	1,170,687	2,072,682	-
Cash Received from Quasi-External Transactions from Other Funds	-	-	-	510,236
Cash Received from Other Sources	15,361	2,691	18,052	19,447
Cash Payments to Employees for Services and Benefits	(383,929)	(201,633)	(585,562)	(196,596)
Cash Payments for Insurance Claims	-	-	-	(10,626)
Cash Payments to Suppliers for Goods and Services	(1,049,355)	(1,090,773)	(2,140,128)	(341,290)
Net Cash Used by Operating Activities	<u>(515,928)</u>	<u>(119,028)</u>	<u>(634,956)</u>	<u>(18,829)</u>
Cash Flows from Noncapital Financing Activities:				
Special Assessments	19,111	21,648	40,759	-
Net Cash Provided by Noncapital Financing Activities	<u>19,111</u>	<u>21,648</u>	<u>40,759</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(28,924)	(1,689)	(30,613)	(1,329)
Principal Paid on Notes	-	(25,859)	(25,859)	-
Net Cash Used in Capital and Related Financing Activities	<u>(28,924)</u>	<u>(27,548)</u>	<u>(56,472)</u>	<u>(1,329)</u>
Cash Flows from Investing Activities:				
Market Gain (Loss) on Investments	(5,584)	(2,875)	(8,459)	-
Interest and Dividends on Investments	30,074	15,465	45,539	-
Net Cash Provided by Investing Activities	<u>24,490</u>	<u>12,590</u>	<u>37,080</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(501,251)	(112,338)	(613,589)	(20,158)
Cash and Cash Equivalents Beginning of Year	<u>1,343,000</u>	<u>583,628</u>	<u>1,926,628</u>	<u>165,438</u>
Cash and Cash Equivalents End of Year	\$ <u>841,749</u>	<u>471,290</u>	<u>1,313,039</u>	<u>145,280</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Loss	\$ (673,515)	(222,143)	(895,658)	(161,389)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:				
Depreciation	184,219	57,561	241,780	149,663
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	6,448	(30,512)	(24,064)	-
Increase in Inventory of Supplies and Materials	(55,112)	(169)	(55,281)	(2,755)
Increase in Prepaid Items	(50)	(32)	(82)	(10)
Increase (Decrease) in Accounts Payable	19,933	61,210	81,143	(5,764)
Increase in Accrued Salaries Payable	727	584	1,311	821
Increase (Decrease) in Intergovernmental Payable	(1,442)	12,729	11,287	158
Increase in Compensated Absences Payable	2,864	1,744	4,608	447
Net Cash Used by Operating Activities	\$ <u>(515,928)</u>	<u>(119,028)</u>	<u>(634,956)</u>	<u>(18,829)</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO
Statement of Assets and Liabilities
Agency Funds
December 31, 2005

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents in segregated accounts	\$ <u>8,348</u>
Total assets	\$ <u><u>8,348</u></u>
Liabilities:	
Due to other governments	\$ 4,343
Undistributed monies	<u>4,005</u>
Total liabilities	\$ <u><u>8,348</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, 2005

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 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, 2005

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 category 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, 2005

Refuse Collection Fund – This fund is used to account for the solid waste collection throughout the City. The City charges its residence a pick-up fee associated with this service, however, the activity is substantially supported through transfers from the General Fund.

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.

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 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, 2005

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, 2005, but which were levied to finance 2006 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, 2005.

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 2005 amounted to \$433,764. This amount includes a decrease of \$90,840 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, 2005

Inventory of Supplies and Materials

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, 2005 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, 2005

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, inventory of supplies and materials 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, 2005

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, 2005

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 and the refuse collection 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.

	General Fund	Refuse Fund
GAAP Basis	\$ 826,964	\$ 89,582
Revenue Accruals	159,756	446
Expenditure Accruals	(50,304)	5,521
Encumbrances	(249,942)	(40,186)
Principal Retirement	(3,200,000)	-
Proceeds from Sale of Notes	2,850,000	-
Budgetary Basis	\$ 336,474	\$ 55,363

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 4 - 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

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At year end, the carrying amount of the City's deposits was \$1,724,351 and the bank balance was \$1,931,176. Of the bank balance, \$251,775 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", \$1,679,401 of the City's bank balance was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name.

Investments

At year-end, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than One Year</u>	<u>One to Five Years</u>
Federal Home Loan Mortgage Corp	\$ 4,931,808	\$ 3,358,816	\$ 1,572,992
Federal Home Loan Bank	7,598,775	7,598,775	-
STAR Ohio	915,133	915,133	-
Total	<u>\$ 13,445,716</u>	<u>\$ 11,872,724</u>	<u>\$ 1,572,992</u>

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Interest Rate Risk – The City’s investment policy states that the maximum maturity for any investment is limited to a final stated maturity of seven years, an expected call of seven years, or an expected average life of seven years, where the average life is estimated by nationally recognized firms independent of the dealer selling the security to the City.

Credit Risk – The City’s investment policy states that investment in corporate entities must have a debt rating of Aa or better by Standard & Poors’ or Moody’s rating service. The City’s investments in US government agencies all have a rating of AAA by Standard & Poors’. The City’s investment in Fifth Third US Treasury Money Market and STAR Ohio have an AAAM credit rating.

Concentration of Credit Risk – The City’s investment policy does not place any limit on investments in any single issuer. Five percent or more of the City’s investments are in the following:

<u>Investment</u>	<u>Percent</u>
Federal Home Loan Mortgage Corp	36.68%
Federal Home Loan Bank	56.51%
STAR Ohio	6.81%

Note 5 – Receivables:

Receivables at December 31, 2005 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 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2004 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes collected in and intended to finance 2005.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 for all City operations for the year ended December 31, 2005 was \$11.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 272,773,590
Public Utility Tangible Personal Property Assessed Valuation	3,510,450
Tangible Personal Property Assessed Valuation	<u>1,875,874</u>
Total	\$ <u>278,159,914</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 represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, 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 2005 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.

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.

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Due from Other Governments

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 126,324
Estate Share Taxes	104,161
Homestead/Rollback	110,921
Gasoline tax	109,836
Motor vehicle license fees	24,168
Permissive motor vehicle license tax	<u>20,772</u>
Total	\$ <u>496,182</u>

Note 6 – Capital Assets:

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
<i>Governmental Activities</i>				
Non-depreciable capital assets:				
Land	\$ 368,029	\$ -	\$ -	\$ 368,029
Construction in Progress	<u>8,058,815</u>	<u>529,114</u>	<u>(8,063,765)</u>	<u>524,164</u>
Non-depreciable capital assets	<u>8,426,844</u>	<u>529,114</u>	<u>(8,063,765)</u>	<u>892,193</u>
Depreciable capital assets:				
Buildings	6,531,947	8,063,765	(199,000)	14,396,712
Improvements	1,116,679	21,694	-	1,138,373
Equipment	1,727,535	148,049	-	1,875,584
Vehicles	2,253,554	-	-	2,253,554
Infrastructure	<u>2,370,700</u>	<u>-</u>	<u>-</u>	<u>2,370,700</u>
Depreciable capital assets	<u>14,000,415</u>	<u>8,233,508</u>	<u>(199,000)</u>	<u>22,034,923</u>
Less: accumulated depreciation				
Buildings	(1,070,421)	(364,714)	199,000	(1,236,135)
Improvements	(1,035,121)	(26,199)	-	(1,061,320)
Equipment	(1,047,478)	(222,095)	-	(1,269,573)
Vehicles	(1,699,229)	(191,194)	-	(1,890,423)
Infrastructure	<u>(46,164)</u>	<u>(47,268)</u>	<u>-</u>	<u>(93,432)</u>
Accumulated depreciation	<u>(4,898,413)</u>	<u>(851,470) *</u>	<u>199,000</u>	<u>(5,550,883)</u>
Depreciable capital assets, net	<u>9,102,002</u>	<u>7,382,038</u>	<u>-</u>	<u>16,484,040</u>
Governmental activities capital assets, net	<u>\$ 17,528,846</u>	<u>\$ 7,911,152</u>	<u>\$ (8,063,765)</u>	<u>\$ 17,376,233</u>

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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

General government	\$ 381,067
Security of person & property	92,494
Community environment	133,461
Transportation	46,439
Leisure time activities	48,346
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	149,663
Total depreciation expense - governmental activities	\$ 851,470

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
<i><u>Business-Type Activities</u></i>				
Non-depreciable capital assets:				
Land	\$ 314,415	\$ -	\$ -	\$ 314,415
Non-depreciable capital assets	314,415	-	-	314,415
Depreciable capital assets:				
Buildings	819,256	4,844	-	824,100
Improvements	188,534	-	-	188,534
Equipment	2,510,298	25,769	-	2,536,067
Vehicles	374,691	-	-	374,691
Infrastructure	4,299,044	-	(114,346)	4,184,698
Depreciable capital assets	8,191,823	30,613	(114,346)	8,108,090
Less: accumulated depreciation				
Buildings	(313,091)	(18,813)	-	(331,904)
Improvements	(82,837)	(7,282)	-	(90,119)
Equipment	(2,185,948)	(112,295)	-	(2,298,243)
Vehicles	(240,401)	(44,388)	-	(284,789)
Infrastructure	(2,695,960)	(59,002)	94,839	(2,660,123)
Accumulated depreciation	(5,518,237)	(241,780)	94,839	(5,665,178)
Depreciable capital assets, net	2,673,586	(211,167)	(19,507)	2,442,912
Business-type activities capital assets, net	\$ 2,988,001	\$ (211,167)	\$ (19,507)	\$ 2,757,327

Note 7 - 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 Ohio 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.

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Ohio Public Employees Retirement System

The City of Miamisburg participates in the Ohio Public Employees Retirement System of Ohio (OPERS), which administers three separate pension plans; the Traditional Pension Plan (TPP), the Member-Directed Plan (MDP) and the Combined Plan (CP). The TPP is a cost sharing, multiple-employer defined benefit pension plan. The MDP is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year), and members accumulate retirement assets equal to the value of member and (vested) employer contribution plus any investment earnings. The CP is a cost sharing, multiple-employer defined benefit plan where employer contributions are invested by OPERS to provide a formula retirement benefit similar to the TP benefit, but the member contribution is self-directed by the members and accumulate retirement assets in a manner similar to the MDP.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TPP and CP Plans. Members of the MDP do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, member and contribution rates were consistent across all three plans. The 2005 member contribution rate was 8.5 percent and the City's contribution rate was 13.55 percent of covered payroll. The City's contributions to the plans for the years ending December 31, 2005, 2004, and 2003 were \$486,739, \$458,861, and \$502,283, respectively. Total contributions for 2005 represented 93 percent of required contributions for the year, with 100% being contributed for 2004 and 2003.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 and 24.0 percent respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2005, 2004 and 2003 were \$473,349.48, \$595,685 and \$497,316. Total contributions for 2005 represented 78 percent of required contributions for the year, with 100 percent being contributed for 2004 and 2003.

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 8 - Postemployment Benefits:

Ohio Public Employees Retirement System

In order to qualify for postretirement health care coverage, age and services retirees under the TPP and the CP plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualifying survivor benefit recipients is available. The health care coverage provided by PERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. For 2005 the portion of the required contribution used to fund health care was 4.0 percent.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from one to six percent for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at four (4) percent.

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

The number of active contributing participants was 376,109. The City's actual contributions for 2005 which were used to fund postemployment benefits were \$143,687. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Ohio Police and Fire 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.

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 2005. 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 2005 that were used to fund postemployment benefits were \$204,484. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 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 \$362,026 at December 31, 2005.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of ten hours per month. A maximum of 135 days of sick leave can be carried forward from year to year. Upon qualifying to retire under one of the two pension systems, an employee who has unused accumulated sick leave of 60 days or more is eligible to be paid for a portion of these hours. For the first 119 days the employee will receive one day's pay for every three days accrued. Any hours accumulated over 119 days will be paid at a rate of one day's pay for every two days accrued. The total obligation for the sick leave accrual for the City as a whole amounted to \$209,739 at December 31, 2005.

Note 9 - 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 2005, 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.

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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	\$ 21,322,467	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	1,353,768	1,000
Fire vehicle	645,417	1,000
Automobile	5,000,000	1,000*
EDP	192,800	500
Bond	100,000	0

* on selected vehicles. Others have no deductible.

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 United Health Care with 5% of premiums paid by the employee effective November 2004 for Administration and Public Works employees and effective January 2005 for Public Safety employees. Payments are made to the carrier by the City on behalf of the employees. Dental benefits are provided by the Assurant with partial payments (40%) from employees. Life Insurance is provided by the City through Anthem Life. Vision benefits will continue to be provided through self-insurance.

Note 10 - Long-Term Obligations:

A schedule of changes in long-term obligations of the City during 2005, follows:

	Amount Outstanding 12/31/2004	Additions	Deletions	Amount Outstanding 12/31/2005	Amounts Due within One Year
<u>Governmental Activities:</u>					
Police and Fire Pension	\$ 610,725	\$ -	\$ 10,091	\$ 600,634	\$ 10,525
Compensated Absences Payable	500,951	655,128	627,932	528,147	79,225
Total Governmental Activities	<u>\$ 1,111,676</u>	<u>\$ 655,128</u>	<u>\$ 638,023</u>	<u>\$ 1,128,781</u>	<u>\$ 89,750</u>
<u>Business-Type Activities:</u>					
OWDA Loan Payable	\$ 297,376	\$ -	\$ 25,859	\$ 271,517	\$ 25,859
Compensated Absences Payable	39,010	56,968	52,360	43,618	8,545
Total Business-Type Activities	<u>\$ 336,386</u>	<u>\$ 56,968</u>	<u>\$ 78,219</u>	<u>\$ 315,135</u>	<u>\$ 34,404</u>

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 2006, the entire amount of compensated absences is reported as due in more than one year.

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$26.4 million.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2005 were:

Year Ending December 31,	Police and Fire Pension		OWDA Loan Payable	
	Principal	Interest	Principal	Interest
2006	\$ 10,525	\$ 25,416	\$ 25,859	\$ -
2007	10,977	24,964	25,859	-
2008	11,449	24,493	25,859	-
2009	11,940	24,001	25,859	-
2010	12,453	23,488	25,859	-
2011-2015	70,763	108,943	129,293	-
2016-2020	87,323	92,383	12,929	-
2021-2025	107,758	71,948	-	-
2026-2030	132,976	46,731	-	-
2031-2035	144,470	15,647	-	-
Total	<u>\$ 600,634</u>	<u>\$ 458,014</u>	<u>\$ 271,517</u>	<u>\$ -</u>

Note 11 - Short-Term Obligations:

A summary of the short-term note transactions for the year ended December 31, 2005 follows:

	Balance December 31, 2004	Increase	Decrease	Balance December 31, 2005
<i>General Fund:</i>				
2004 Capital Facilities Note - 1.25%	\$ 3,200,000	\$ -	\$ 3,200,000	\$ -
2005 Capital Facilities Note - 2.57%	-	2,850,000	-	2,850,000
	<u>\$ 3,200,000</u>	<u>\$ 2,850,000</u>	<u>\$ 3,200,000</u>	<u>\$ 2,850,000</u>

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

During 2005, the City issued \$2.85 million in Capital Facilities Notes that will mature on March 16, 2006. The proceeds of these notes were used to pay the debt service on \$3.2 million of 2004 Capital Facilities Notes that matured during the year. These notes were originally 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 12 – Transfers:

The following is a summary of transfers in and out for all funds in 2004:

<u>Fund</u>	<u>Transfers-</u> <u>In</u>	<u>Transfers-</u> <u>Out</u>
General Fund	\$ -	\$ 2,466,219
Refuse Collection Fund	1,119,000	-
Non-major Governmental Funds	<u>1,711,495</u>	<u>364,276</u>
 Total Transfers	 <u>\$ 2,830,495</u>	 <u>\$ 2,830,495</u>

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate monies for anticipated capital projects; to provide additional resources for operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Note 13 – Change in Accounting Principles and Restatement of Fund Balances:

For 2005, the City adopted the provisions of GASB Statement No. 40, Deposits and Investment Risk Disclosures. This statement modifies and expands existing disclosure requirements for deposits and investments. These additional disclosures can be found in Note 4.

The City also adopted the provisions of GASB Technical Bulletin 2004-002, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers. This technical bulletin requires governments to recognize pension expenditures/expenses in the period in which a payment relates even if the payment is not due until the next fiscal period. The implementation of the technical bulletin had the following effect on the beginning fund balance of City:

	<u>General</u>	<u>Refuse</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance, 12/31/2004	\$ 4,697,240	\$ 577,655	\$ 4,894,685	\$ 10,169,580
Implementation of GASB TB 2004-2	<u>(137,834)</u>	<u>-</u>	<u>-</u>	<u>(137,834)</u>
Fund Balance, 1/1/2005	<u>\$ 4,559,406</u>	<u>\$ 577,655</u>	<u>\$ 4,894,685</u>	<u>\$ 10,031,746</u>

CITY OF OAKWOOD, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 14 - 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, 2005 to December 31, 2005 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any would be immaterial.

CITY OF OAKWOOD
Elected and Appointed Officials
December 31, 2005

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
Judy Cook	Mayor	1/1/90 to 12/31/05
Carlo C. McGinnis	Vice-Mayor	1/1/86 to 12/31/05
Roger C. Blumensheid	Council Member	2/14/02 to 12/31/07
Stanley Castleman	Council Member	11/04/03 to 12/31/07
William D. Duncan	Council Member	5/20/03 to 12/31/07
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	Director of Engineering and Public Works	Appointed
Brad M. Beachdell	Director of Finance	Appointed
Carol D. Collins	Director of Leisure Services	Appointed
Robert N. Farquhar	City Attorney	Appointed
Linda Mercker	Income Tax Administrator	Appointed
<u>Oakwood Municipal Court</u>		
Robert Deddens	Judge	1/1/96 to 12/31/07
Linda Young	Acting Clerk of Courts	Appointed

These officials can be contacted at the following address:

City of Oakwood
30 Park Avenue
Oakwood, Ohio 45419

Bonded Officials

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



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

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor, 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2006, in which we noted the City adopted GASB Statement No. 40 and GASB Technical Bulletin 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Oakwood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable condition in which the design or operation of one or more the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakwood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the City of Oakwood, Ohio in a separate letter dated June 26, 2006.

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

Clark, Schaefer, Hatchett & Co.

Springfield, Ohio
June 26, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**CITY OF OAKWOOD
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2006**