

**CITY OF OAKWOOD, OHIO**

**Basic Financial Statements**

**December 31, 2006**

**with**

**Independent Auditors' Report**





Mary Taylor, CPA  
Auditor of State

Honorable Mayor and City Council  
City of Oakwood  
30 Park Avenue  
Oakwood, 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, 2006 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 8, 2007

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**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

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**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, 2006, 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2007, on our consideration of the City of 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 is not a required part of the basic financial statements but is 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 28, 2007

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
(Unaudited)

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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, 2006. 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, 2006 are as follows:

- Total net assets decreased by \$1.3 million, which represents a 3.8 percent decrease from 2005. This decrease was due primarily to significant reductions in the amount of intergovernmental and tax revenue received during the year as well as increases in expenses.
- Total assets of governmental activities increased by \$824,168 from those reported at December 31, 2005. A significant acquisition of land to be used as a City park increased the total capital assets of the City for 2006 and offset the reduction of cash on hand at year-end.
- The net assets of the City's business-type activities decreased \$257,302 during 2006 compared to the decrease of \$1.1 million reported in the prior year. The improved operating results are attributed to nearly \$475,000 of expenses incurred in 2005 related to replacement of water meters which it did not incur during 2006.
- The \$2.1 million unreserved, undesignated ending fund balance reported in the General Fund represents 22 percent of the total expenditures reported in the General Fund for 2006.

**Using this Annual Financial Report**

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

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

**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 2006?" 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, 2006  
(Unaudited)

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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, 2006  
(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 \$31.7 million at December 31, 2006.

Table 1 provides a summary of the City's net assets for 2006 compared to 2005:

**TABLE 1**  
**NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets:</b>						
Current and Other Assets	\$ 16,016,421	\$ 17,469,512	\$ 2,380,090	\$ 2,619,300	\$ 18,396,511	\$ 20,088,812
Capital Assets, Net	19,653,492	17,376,233	2,803,425	2,757,327	22,456,917	20,133,560
Total Assets	35,669,913	34,845,745	5,183,515	5,376,627	40,853,428	40,222,372
<b>Liabilities:</b>						
Current and Other Liabilities	7,389,019	5,566,594	299,995	213,274	7,689,014	5,779,868
Long-Term Liabilities:						
Due Within One Year	111,416	89,750	35,248	34,404	146,664	124,154
Due in More than One Year	1,027,563	1,039,031	257,356	280,731	1,284,919	1,319,762
Total Liabilities	8,527,998	6,695,375	592,599	528,409	9,120,597	7,223,784
<b>Net Assets:</b>						
Invested in Capital Assets, Net	14,853,492	14,526,233	2,557,767	2,485,810	17,411,259	17,012,043
Restricted	470,180	896,115	-	-	470,180	896,115
Unrestricted	11,818,243	12,728,022	2,033,149	2,362,408	13,851,392	15,090,430
Total Net Assets	\$ 27,141,915	\$ 28,150,370	\$ 4,590,916	\$ 4,848,218	\$ 31,732,831	\$ 32,998,588

As displayed in Table 1, total net assets of the City as a whole, decreased by \$1.3 million from total net assets reported at December 31, 2005. The governmental activities reported a decrease in net assets during 2006 of \$1,008,455 and the business-type activities showed a decrease in net assets of \$257,302 for the year. The decrease in the governmental funds resulted from a significant reduction in the estate tax received in 2006 compared with prior years. While the business-type activities did report a decrease in net assets for the year, the decrease is approximately \$800,000 less than the decrease reported in the prior year. A significant portion of this positive change for the business-type activities is explained by the fact the City replaced a significant portion of its water meters in 2005, a cost it did not incur in 2006. The water meters did not meet the City's capitalization threshold and therefore were expensed in the year they were purchased.

Total unrestricted net assets decreased by approximately \$1.2 million from those reported at December 31, 2005, while restricted net assets decreased by approximately \$426,000 and net assets invested in capital assets, net of related debt increased by approximately \$399,000. The continued effort to upgrade capital assets accounts for the increase in net assets invested in capital assets, while the decrease in unrestricted net assets was the result of the year's operations.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
(Unaudited)

Table 2 shows the changes in net assets for the year ended December 31, 2006 as compared with the year end December 31, 2005.

**TABLE 2**  
**CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,496,211	\$ 1,546,102	\$ 2,059,799	\$ 2,155,557	\$ 3,556,010	\$ 3,701,659
Operating Grants/Contributions	60,494	395,820	-	-	60,494	395,820
Capital Grants/Contributions	-	25,000	312,062	-	312,062	25,000
General Revenues:						
Municipal Income Taxes	5,129,203	5,241,735	-	-	5,129,203	5,241,735
Property and Other Taxes	1,851,514	1,768,249	-	-	1,851,514	1,768,249
Grants and Entitlements	1,383,834	1,876,522	-	-	1,383,834	1,876,522
Other	916,220	488,819	73,495	36,267	989,715	525,086
Total Revenues	<u>10,837,476</u>	<u>11,342,247</u>	<u>2,445,356</u>	<u>2,191,824</u>	<u>13,282,832</u>	<u>13,534,071</u>
Program Expenses						
Security of Person & Property	4,411,120	4,327,066	-	-	4,411,120	4,327,066
Public Health Services	108,205	99,384	-	-	108,205	99,384
Leisure Time Activities	1,021,699	1,047,167	-	-	1,021,699	1,047,167
Community Environment	1,806,773	1,862,063	-	-	1,806,773	1,862,063
Transportation	908,254	1,473,797	-	-	908,254	1,473,797
General Government	3,448,591	2,346,641	-	-	3,448,591	2,346,641
Interest and Fiscal Charges	141,289	101,874	-	-	141,289	101,874
Water	-	-	1,021,689	1,810,578	1,021,689	1,810,578
Sewer	-	-	1,680,969	1,440,102	1,680,969	1,440,102
Total Liabilities	<u>11,845,931</u>	<u>11,257,992</u>	<u>2,702,658</u>	<u>3,250,680</u>	<u>14,548,589</u>	<u>14,508,672</u>
Change in Net Assets	<u>\$ (1,008,455)</u>	<u>\$ 84,255</u>	<u>\$ (257,302)</u>	<u>\$ (1,058,856)</u>	<u>\$ (1,265,757)</u>	<u>\$ (974,601)</u>

*Governmental Activities*

During 2006, total net assets reported in the governmental activities decreased by approximately \$1 million. Total revenues decreased by approximately \$505,000 compared with a year ago. The estate tax received by the City in 2006 decreased approximately \$600,000 from the amount received in the prior year. Due to the nature of this tax, the revenue is unpredictable and changes significantly from year to year depending on the circumstances. Expenses of the governmental activities increased by nearly \$590,000 compared to the prior year. A significant portion of these additional expenses were incurred as a result of special projects undertaken by the City to repair and maintain its infrastructure and capital assets. While most of the capital improvement costs were capitalized in the Statement of Net Assets, certain projects which did not meet the City's capitalization criteria were expensed during the year. A significant amount of the increase in expenses was related to these types of projects.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
(Unaudited)

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**

Program Expense:	<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	37.24%	\$ (4,098,751)	92.92%
Public Health Services	0.91%	(86,389)	79.84%
Leisure Time Activities	8.63%	(495,767)	48.52%
Community Environment	15.25%	(1,518,033)	84.02%
Transportation	7.67%	(908,254)	100.00%
General Government	29.11%	(3,040,743)	88.17%
Interest and Fiscal Charges	<u>1.19%</u>	<u>(141,289)</u>	100.00%
 Total Program Expense	 <u>100.00%</u>	 <u>\$ (10,289,226)</u>	 86.86%

As indicated by Table 3, the City is spending the majority of its resources (52 percent) on security of person and property as well as community environment activities. While the operation of the police and fire departments is 37 percent of total program expenses, revenues generated by those two departments covers only 7.08 percent of functional expenses. This means that general revenues collected by the city, principally municipal income taxes and property taxes, must cover the remaining 92.92 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 29 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 51.5 percent of the leisure time activities functional expenses. 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 85.6 percent of the total governmental revenues collected by the City during 2006. Principal components of general revenues, municipal income taxes (55.3 percent) and local property taxes (20.0 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, 2006  
(Unaudited)

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*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 \$271,480 during 2006 compared to the operating loss of \$673,515 reported for 2005. In the prior year, the City expensed the replacement water meters which accounted for nearly \$475,000 of the difference between the two years. At December 31, 2006 the unrestricted net assets represented 97.0 percent of the operating expenses reported for 2006.

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 \$525,759 during 2006 as compared with an operating loss of \$222,143 reported for 2005. Increases in operating expenses including payments to other communities for treatment of sewage as well as increases in the cost of materials coupled with the slight decrease in operating revenue reported for the year contributed to the increase in the operating deficit.

Overall, the City's business-type activities generated \$2.4 million in program revenue during 2006, while program expenses were \$2.7 million. The operating expense of the business-type activities decreased by nearly \$190,000 from those reported for 2005; primarily attributed to the expensing of the replacement water meters in the prior year. While the business-type activities incurred an overall decrease in net assets of \$275,000, it should be noted that the unrestricted net assets of the business-type activities totaled \$2.0 million at the end of 2006. The amount of unrestricted net assets for business-type activities reported at December 31, 2006 equaled 44.7 percent of the total expenses reported for business-type activities for 2006. 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 \$10.9 million and expenditures of \$13.8 million for 2006. In total, the governmental funds reported a \$3.2 million decrease in total fund balance for the year. In 2005, the fund balance of the City's governmental funds increased by approximately \$627,000. Most of the decrease reported in 2006 was associated with the City's continued investment in general capital assets, including the \$2.3 million used to purchase a significant area of land to be used as park. Operational costs increased due to inflation and pay increases given to employees, but the significant portion of the increase in expenditures will benefit City residents for years into the future. 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, 2006 was \$6.8 million, or 49.4 percent of the total expenditures reported for the governmental funds for 2006.

The City's General Fund realized a \$3.2 million decrease in fund balance during 2006. While the expenditures noted above were financed primarily through the general fund, the \$600,000 drop in the estate tax received by the City during 2006 compared with the prior year added to the decrease. In addition, the City transfers general fund revenues to other funds (refuse, 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 2006, the General Fund transferred over \$2.6 million to other funds.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
(Unaudited)

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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 2006, 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 \$9.4 million as compared to the actual revenues received of \$8.8 million. The significant negative variance realized in the intergovernmental was the result of the City receiving less estate tax receipts during 2006. 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. The sale of a major employer in the City during 2006 resulted in less income tax receipts being collected than were budgeted.

The budgeted expenditures of the City increased by \$5.2 million from the original budget to the final budget numbers due to the capital projects approved by council throughout the year. Nearly half the increased capital outlay budgeted expenditures were related to the purchase of land within the City to be used as park land. The ending budgetary fund balance of the general fund increased by \$1.2 million to \$9.4 million as of December 31, 2006. 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 2006.

**Capital Assets**

At the end of fiscal year 2006, the City had a total of \$34.6 million invested in capital assets less accumulated depreciation of \$12.1 million resulting in total capital assets, net of accumulated depreciation of \$22.5 million.

During 2006 the City continued to invest in its capital assets, infrastructure and land holdings. Over \$2.3 million was spent to acquire land which became available which will be utilized as park land by residents. In addition, over \$600,000 was spent on improving the functionality and appearance of one of the City's major thoroughfares, Far Hills Avenue. In addition to these significant projects, the City acquired over \$300,000 in buildings and improvements as well as an additional \$300,000 in vehicles and equipment during the year.

**CITY OF OAKWOOD, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
(Unaudited)

Table 4 shows 2006 capital asset balances compared to those of 2005:

**TABLE 4**  
**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,717,122	\$ 368,029	\$ 283,820	\$ 314,415	\$ 3,000,942	\$ 682,444
Buildings	13,116,730	13,160,577	474,126	492,196	13,590,856	13,652,773
Improvements	71,495	77,053	91,187	98,415	162,682	175,468
Equipment	521,703	606,011	127,386	237,824	649,089	843,835
Vehicles	387,980	363,131	47,350	89,902	435,330	453,033
Infrastructure	2,838,462	2,277,268	1,779,556	1,524,575	4,618,018	3,801,843
Construction in Progress	-	524,164	-	-	-	524,164
Total	\$ 19,653,492	\$ 17,376,233	\$ 2,803,425	\$ 2,757,327	\$ 22,456,917	\$ 20,133,560

Additions of capital assets during the year totaled \$3.4 million while depreciation reported for the governmental activities and business-type activities totaled \$1.1 million, resulting in an increase in the total net book value of the City's capital assets of \$2.3 million.

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

**Debt Administration**

At December 31, 2006, the City had a total of \$5.6 million of short and long-term debt obligations compared with \$3.7 million reported at December 31, 2005.

Governmental debt obligations include \$4,800,000 in capital facility improvement and land acquisition notes and a \$590,109 police and fire pension liability. During 2006, the City issued \$2.3 million in land acquisition notes to purchase parcels of land to be used as a City park.

The \$245,658 OWDA loan reported in the City's sewer fund was reduced by \$25,859 from the \$271,517 reported on December 31, 2005. 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, 2006, the City's overall legal debt margin was \$28.5 million and the unvoted debt margin was \$12.6 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, 2006

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 12,402,947	1,123,202	13,526,149
Cash and Cash Equivalents in Segregated Accounts	20,245	-	20,245
<b>Receivables:</b>			
Property taxes	1,719,392	-	1,719,392
Income taxes	1,779,813	-	1,779,813
Accounts	70,051	452,654	522,705
Special Assessments	99,201	-	99,201
Accrued Interest	91,012	13,324	104,336
Intergovernmental Receivable	462,608	-	462,608
Inventory of Supplies and Materials	114,020	19,738	133,758
Prepaid Items	25,551	2,753	28,304
Internal Balances	(768,419)	768,419	-
Nondepreciable capital assets	2,717,122	283,820	3,000,942
Depreciable capital assets	<u>16,936,370</u>	<u>2,519,605</u>	<u>19,455,975</u>
<b>Total Assets</b>	<u>35,669,913</u>	<u>5,183,515</u>	<u>40,853,428</u>
<b>Liabilities:</b>			
Accounts Payable	156,642	20,898	177,540
Contracts Payable	-	25,120	25,120
Accrued Salaries Payable	122,276	11,325	133,601
Accrued Interest Payable	110,528	-	110,528
Intergovernmental Payable	360,412	242,652	603,064
Unearned Revenue	1,839,161	-	1,839,161
Notes Payable	4,800,000	-	4,800,000
<b>Noncurrent Liabilities:</b>			
Due within one year	111,416	35,248	146,664
Due in more than one years	<u>1,027,563</u>	<u>257,356</u>	<u>1,284,919</u>
<b>Total Liabilities</b>	<u>8,527,998</u>	<u>592,599</u>	<u>9,120,597</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	14,853,492	2,557,767	17,411,259
<b>Restricted for:</b>			
Capital Projects	414,450	-	414,450
<b>Permanent Endowment:</b>			
Nonexpendable	50,000	-	50,000
Expendable	5,730	-	5,730
Unrestricted	<u>11,818,243</u>	<u>2,033,149</u>	<u>13,851,392</u>
<b>Total Net Assets</b>	\$ <u>27,141,915</u>	<u>4,590,916</u>	<u>31,732,831</u>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Security of Persons and Property	\$ 4,411,120	270,129	42,240	-	(4,098,751)	-	(4,098,751)
Public Health Services	108,205	21,816	-	-	(86,389)	-	(86,389)
Leisure Time Activities	1,021,699	507,678	18,254	-	(495,767)	-	(495,767)
Community Environment	1,806,773	288,740	-	-	(1,518,033)	-	(1,518,033)
Transportation	908,254	-	-	-	(908,254)	-	(908,254)
General Government	3,448,591	407,848	-	-	(3,040,743)	-	(3,040,743)
Interest and Fiscal Charges	141,289	-	-	-	(141,289)	-	(141,289)
<b>Total Governmental Activities</b>	<b>11,845,931</b>	<b>1,496,211</b>	<b>60,494</b>	<b>-</b>	<b>(10,289,226)</b>	<b>-</b>	<b>(10,289,226)</b>
<b>Business-Type Activities:</b>							
Water	1,021,689	874,585	-	-	-	(147,104)	(147,104)
Sewer	1,680,969	1,185,214	-	312,062	-	(183,693)	(183,693)
<b>Total Business-Type Activities</b>	<b>2,702,658</b>	<b>2,059,799</b>	<b>-</b>	<b>312,062</b>	<b>-</b>	<b>(330,797)</b>	<b>(330,797)</b>
<b>Total</b>	<b>\$ 14,548,589</b>	<b>3,556,010</b>	<b>60,494</b>	<b>312,062</b>	<b>(10,289,226)</b>	<b>(330,797)</b>	<b>(10,620,023)</b>
<b>General Revenues:</b>							
Municipal income taxes levied for:							
General purposes					5,129,203	-	5,129,203
Property taxes levied for:							
General purposes					1,768,681	-	1,768,681
Police and fire pension					82,833	-	82,833
Grants and entitlements not restricted to specific programs							
Investment earnings					1,383,834	-	1,383,834
Miscellaneous					619,064	64,060	683,124
					297,156	9,435	306,591
<b>Total General Revenues</b>					<b>9,280,771</b>	<b>73,495</b>	<b>9,354,266</b>
Changes in net assets					(1,008,455)	(257,302)	(1,265,757)
Net assets at beginning of year					28,150,370	4,848,218	32,998,588
Net assets at end of year					\$ 27,141,915	4,590,916	31,732,831

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**

Balance Sheet  
Governmental Funds  
December 31, 2006

	<u>General</u>	<u>Refuse</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 6,913,170	688,910	4,598,839	12,200,919
Cash and Cash Equivalents in Segregated Accounts	17,677	-	2,568	20,245
<b>Receivables:</b>				
Property taxes	1,636,721	-	82,671	1,719,392
Income taxes	1,779,813	-	-	1,779,813
Accounts	-	70,051	-	70,051
Special Assessments	-	-	99,201	99,201
Accrued Interest	84,617	-	6,395	91,012
Intergovernmental Receivable	268,178	-	194,430	462,608
Inventory of Supplies and Materials	27,866	11,366	61,628	100,860
Prepaid Items	<u>16,878</u>	<u>438</u>	<u>7,884</u>	<u>25,200</u>
<b>Total Assets</b>	<b>\$ <u>10,744,920</u></b>	<b><u>770,765</u></b>	<b><u>5,053,616</u></b>	<b><u>16,569,301</u></b>
<b>Liabilities:</b>				
Accounts Payable	\$ 50,221	14,493	76,520	141,234
Accrued Salaries Payable	81,129	17,929	19,193	118,251
Accrued Interest Payable	110,528	-	-	110,528
Intergovernmental Payable	289,438	27,076	37,515	354,029
Deferred Revenue	3,193,483	43,491	344,426	3,581,400
Notes Payable	<u>4,800,000</u>	<u>-</u>	<u>-</u>	<u>4,800,000</u>
<b>Total Liabilities</b>	<b><u>8,524,799</u></b>	<b><u>102,989</u></b>	<b><u>477,654</u></b>	<b><u>9,105,442</u></b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	89,105	24,254	158,960	272,319
Reserved for Inventory of Supplies and Materials	27,866	11,366	61,628	100,860
Reserved for Bullock Endowment	-	-	50,000	50,000
<b>Unreserved:</b>				
Designated for Memorial Gardens Improvements	-	-	212,755	212,755
<b>Undesignated, Reported in:</b>				
General Fund	2,103,150	-	-	2,103,150
Special Revenue Funds	-	632,156	1,678,457	2,310,613
Capital Project Funds	-	-	2,408,432	2,408,432
Permanent Fund	<u>-</u>	<u>-</u>	<u>5,730</u>	<u>5,730</u>
<b>Total Fund Balance</b>	<b><u>2,220,121</u></b>	<b><u>667,776</u></b>	<b><u>4,575,962</u></b>	<b><u>7,463,859</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>10,744,920</u></b>	<b><u>770,765</u></b>	<b><u>5,053,616</u></b>	<b><u>16,569,301</u></b>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006

Total Governmental Fund Balances	\$	7,463,859
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,598,663
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Municipal income taxes	1,239,571	
Property and other taxes	22,085	
Special assessments	99,201	
Intergovernmental	262,660	
Charges for services	43,491	
Accrued interest	<u>75,231</u>	
Total		1,742,239
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		5,216,693
The internal balance represents the portion of the internal services funds' assets and liabilities that are allocated to the enterprise funds.		(768,419)
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	(590,109)	
Compensated absences payable	<u>(521,011)</u>	
Total		<u>(1,111,120)</u>
Net Assets of Governmental Activities	\$	<u>27,141,915</u>

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, 2006

	General	Refuse	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Municipal Income Taxes	\$ 5,114,833	-	-	5,114,833
Property and Other Taxes	1,638,870	-	211,931	1,850,801
Intergovernmental	953,413	-	650,224	1,603,637
Special Assessments	-	8,250	133,292	141,542
Charges for Services	313,526	269,806	531,003	1,114,335
Fines, Licenses and Permits	118,852	-	35,678	154,530
Interest	616,292	-	32,423	648,715
Donations	-	-	18,254	18,254
Other	252,944	19,641	24,571	297,156
<b>Total Revenues</b>	<u>9,008,730</u>	<u>297,697</u>	<u>1,637,376</u>	<u>10,943,803</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	4,162,686	-	204,481	4,367,167
Public Health Services	-	-	95,550	95,550
Leisure Time Activities	-	-	997,179	997,179
Community Environment	443,828	1,215,158	700	1,659,686
Transportation	-	-	820,773	820,773
General Government	2,158,253	-	14,475	2,172,728
Capital Outlay	2,662,583	-	898,973	3,561,556
<b>Debt Service:</b>				
Principal Retirement	-	-	10,525	10,525
Interest and Fiscal Charges	115,873	-	25,416	141,289
<b>Total Expenditures</b>	<u>9,543,223</u>	<u>1,215,158</u>	<u>3,068,072</u>	<u>13,826,453</u>
<b>Excess of Revenues Over(Under) Expenditures</b>	<u>(534,493)</u>	<u>(917,461)</u>	<u>(1,430,696)</u>	<u>(2,882,650)</u>
<b>Other Financing Sources (Uses):</b>				
Contributions	-	-	(312,062)	(312,062)
Transfers-In	-	918,000	2,270,469	3,188,469
Transfers-Out	(2,631,756)	-	(556,713)	(3,188,469)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,631,756)</u>	<u>918,000</u>	<u>1,401,694</u>	<u>(312,062)</u>
<b>Net Change in Fund Balances</b>	(3,166,249)	539	(29,002)	(3,194,712)
<b>Fund Balance at Beginning of Year</b>	<u>5,386,370</u>	<u>667,237</u>	<u>4,604,964</u>	<u>10,658,571</u>
<b>Fund Balance at End of Year</b>	<u>\$ 2,220,121</u>	<u>667,776</u>	<u>4,575,962</u>	<u>7,463,859</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, 2006

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Net Change in Fund Balance - Total Governmental Funds \$ (3,194,712)

*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	3,129,638	
Depreciation	<u>(710,716)</u>	
Total		2,418,922

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.

10,525

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.

(139,432)

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.

(106,327)

Some expenses 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.

2,569

Change in Net Assets of Governmental Activities

\$ (1,008,455)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Municipal Income Taxes	\$ 5,350,000	5,300,000	5,079,001	(220,999)
Property and Other Taxes	1,580,426	1,580,426	1,638,870	58,444
Intergovernmental	1,509,129	1,509,129	953,413	(555,716)
Charges for Services	215,474	165,474	169,858	4,384
Fines, Licenses and Permits	179,200	129,200	121,411	(7,789)
Interest	530,000	540,000	547,778	7,778
Donations	850	850	2,180	1,330
Other	<u>246,722</u>	<u>201,131</u>	<u>250,764</u>	<u>49,633</u>
<b>Total Revenues</b>	<u>9,611,801</u>	<u>9,426,210</u>	<u>8,763,275</u>	<u>(662,935)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,169,213	4,169,213	4,160,774	8,439
Community Environment	512,523	512,523	487,414	25,109
General Government	2,162,502	2,162,502	2,146,005	16,497
Capital Outlay	-	5,194,796	2,719,366	2,475,430
Debt Service:				
Principal Retirement	2,850,000	2,850,000	2,850,000	-
Interest and Fiscal Charges	<u>73,300</u>	<u>73,300</u>	<u>73,042</u>	<u>258</u>
<b>Total Expenditures</b>	<u>9,767,538</u>	<u>14,962,334</u>	<u>12,436,601</u>	<u>2,525,733</u>
<b>Excess of Revenues Over(Under)</b>				
Expenditures	<u>(155,737)</u>	<u>(5,536,124)</u>	<u>(3,673,326)</u>	<u>1,862,798</u>
<b>Other Financing Sources (Uses):</b>				
Transfers-In	2,643,668	2,493,668	2,693,668	200,000
Transfers-Out	(3,215,725)	(3,215,725)	(2,631,756)	583,969
Proceeds from the Sale of Notes	<u>-</u>	<u>4,800,000</u>	<u>4,800,000</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(572,057)</u>	<u>4,077,943</u>	<u>4,861,912</u>	<u>783,969</u>
<b>Change in Fund Balance</b>	<u>(727,794)</u>	<u>(1,458,181)</u>	<u>1,188,586</u>	<u>2,646,767</u>
Fund Balance at Beginning of Year	7,912,563	7,912,563	7,912,563	-
Prior Year Encumbrances Appropriated	<u>249,942</u>	<u>249,942</u>	<u>249,942</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 7,434,711</u>	<u>6,704,324</u>	<u>9,351,091</u>	<u>2,646,767</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 378,800	378,800	267,300	(111,500)
Special Assessments	5,000	5,000	8,250	3,250
Other	<u>17,000</u>	<u>17,000</u>	<u>19,641</u>	<u>2,641</u>
Total Revenues	<u>400,800</u>	<u>400,800</u>	<u>295,191</u>	<u>(105,609)</u>
Expenditures:				
Current:				
Community Environment	<u>1,298,791</u>	<u>1,298,791</u>	<u>1,253,645</u>	<u>45,146</u>
Total Expenditures	<u>1,298,791</u>	<u>1,298,791</u>	<u>1,253,645</u>	<u>45,146</u>
Excess of Revenues Over(Under) Expenditures	<u>(897,991)</u>	<u>(897,991)</u>	<u>(958,454)</u>	<u>(60,463)</u>
Other Financing Sources:				
Transfers-In	1,020,000	1,020,000	918,000	(102,000)
Transfers-Out	<u>(52,955)</u>	<u>(52,955)</u>	<u>-</u>	<u>52,955</u>
Total Other Financing Sources (Uses)	<u>967,045</u>	<u>967,045</u>	<u>918,000</u>	<u>(49,045)</u>
Change in Fund Balance	69,054	69,054	(40,454)	(109,508)
Fund Balance at Beginning of Year	650,431	650,431	650,431	-
Prior Year Encumbrances Appropriated	<u>40,186</u>	<u>40,186</u>	<u>40,186</u>	<u>-</u>
Fund Balance at End of Year	\$ <u><u>759,671</u></u>	<u><u>759,671</u></u>	<u><u>650,163</u></u>	<u><u>(109,508)</u></u>

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**

Statement of Fund Net Assets

Proprietary Funds

December 31, 2006

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
<b>Assets:</b>				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,045,633	77,569	1,123,202	202,028
Accounts Receivable	175,985	276,669	452,654	-
Accrued Interest Receivable	10,559	2,765	13,324	-
Inventory of Supplies and Materials	19,374	364	19,738	13,160
Prepaid Items	1,360	1,393	2,753	351
<b>Total Current Assets</b>	<b>1,252,911</b>	<b>358,760</b>	<b>1,611,671</b>	<b>215,539</b>
Non-Current Assets				
Nondepreciable capital assets	283,820	-	283,820	25,840
Capital Assets, Net	1,376,452	1,143,153	2,519,605	5,028,989
<b>Total Noncurrent Assets</b>	<b>1,660,272</b>	<b>1,143,153</b>	<b>2,803,425</b>	<b>5,054,829</b>
<b>Total Assets</b>	<b>2,913,183</b>	<b>1,501,913</b>	<b>4,415,096</b>	<b>5,270,368</b>
<b>Liabilities:</b>				
Current Liabilities				
Accounts Payable	19,185	1,713	20,898	15,408
Contracts Payable	19,267	5,853	25,120	-
Accrued Salaries Payable	7,456	3,869	11,325	4,025
Intergovernmental Payable	15,544	227,108	242,652	6,383
OPWC Loan - Current Portion	-	25,859	25,859	-
Compensated Absences Payable	5,426	3,963	9,389	5,572
<b>Total Current Liabilities</b>	<b>66,878</b>	<b>268,365</b>	<b>335,243</b>	<b>31,388</b>
Long-Term Liabilities				
OPWC Loan	-	219,799	219,799	-
Compensated Absences Payable	21,706	15,851	37,557	22,287
<b>Total Long-Term Liabilities</b>	<b>21,706</b>	<b>235,650</b>	<b>257,356</b>	<b>22,287</b>
<b>Total Liabilities</b>	<b>88,584</b>	<b>504,015</b>	<b>592,599</b>	<b>53,675</b>
<b>Net Assets:</b>				
Invested in Capital Assets	1,660,272	897,495	2,557,767	5,054,829
Unrestricted	1,164,327	100,403	1,264,730	161,864
<b>Total Net Assets</b>	<b>\$ 2,824,599</b>	<b>997,898</b>	<b>3,822,497</b>	<b>5,216,693</b>

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.

768,419

\$ 4,590,916

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, 2006

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 852,261	1,159,731	2,011,992	592,498
Other Operating Revenue	<u>6,687</u>	<u>2,748</u>	<u>9,435</u>	<u>6,053</u>
Total Operating Revenues	<u>858,948</u>	<u>1,162,479</u>	<u>2,021,427</u>	<u>598,551</u>
Operating Expenses:				
Personal Services	394,988	204,289	599,277	230,069
Contractual Services	429,262	1,417,851	1,847,113	93,884
Supplies and Materials	118,734	5,669	124,403	242,945
Claims	-	-	-	10,022
Depreciation	180,697	54,672	235,369	143,551
Other Operating Expenses	<u>6,747</u>	<u>5,757</u>	<u>12,504</u>	<u>275</u>
Total Operating Expenses	<u>1,130,428</u>	<u>1,688,238</u>	<u>2,818,666</u>	<u>720,746</u>
Operating Loss	<u>(271,480)</u>	<u>(525,759)</u>	<u>(797,239)</u>	<u>(122,195)</u>
Non-Operating Revenues:				
Interest	50,949	13,111	64,060	-
Gain on disposal of capital assets	98,771	-	98,771	-
Special Assessments	<u>22,324</u>	<u>25,483</u>	<u>47,807</u>	<u>-</u>
Total Non-Operating Revenues	<u>172,044</u>	<u>38,594</u>	<u>210,638</u>	<u>-</u>
Loss Before Capital Contributions	(99,436)	(487,165)	(586,601)	(122,195)
Capital Contributions	<u>-</u>	<u>312,062</u>	<u>312,062</u>	<u>-</u>
Net Loss	(99,436)	(175,103)	(274,539)	(122,195)
Net Assets at the Beginning of the Year	<u>2,924,035</u>	<u>1,173,001</u>		<u>5,338,888</u>
Net Assets at the End of the Year	\$ <u><u>2,824,599</u></u>	<u><u>997,898</u></u>		<u><u>5,216,693</u></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 activities.

17,237  
\$ (257,302)

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2006

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 867,271	1,146,210	2,013,481	-
Cash Received from Quasi-External Transactions from Other Funds	-	-	-	592,498
Cash Received from Other Sources	6,687	2,748	9,435	6,053
Cash Payments to Employees for Services and Benefits	(390,227)	(205,061)	(595,288)	(438,100)
Cash Payments for Insurance Claims	-	-	-	(10,022)
Cash Payments to Suppliers for Goods and Services	(471,483)	(1,345,073)	(1,816,556)	(91,518)
Cash Payments for other operating expenses	(6,747)	(5,757)	(12,504)	(275)
Net Cash Provided (Used) by Operating Activities	<u>5,501</u>	<u>(406,933)</u>	<u>(401,432)</u>	<u>58,636</u>
Cash Flows from Noncapital Financing Activities:				
Special Assessments	22,324	25,483	47,807	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	-	-	-	(1,888)
Proceeds from Sale of Land	129,366	-	129,366	-
Principal Paid on Notes	-	(25,859)	(25,859)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>129,366</u>	<u>(25,859)</u>	<u>103,507</u>	<u>(1,888)</u>
Cash Flows from Investing Activities:				
Market Gain on Investments	2,360	1,997	4,357	-
Interest and Dividends on Investments	44,333	11,591	55,924	-
Net Cash Provided by Investing Activities	<u>46,693</u>	<u>13,588</u>	<u>60,281</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	203,884	(393,721)	(189,837)	56,748
Cash and Cash Equivalents Beginning of Year	<u>841,749</u>	<u>471,290</u>	<u>1,313,039</u>	<u>145,280</u>
Cash and Cash Equivalents End of Year	\$ <u><u>1,045,633</u></u>	<u><u>77,569</u></u>	<u><u>1,123,202</u></u>	<u><u>202,028</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Loss	\$ (271,480)	(525,759)	(797,239)	(122,195)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation	180,697	54,672	235,369	143,551
Changes in Assets and Liabilities				
Accounts Receivable	15,010	(13,521)	1,489	-
Inventory of Supplies and Materials	68,750	(70)	68,680	1,511
Prepaid Items	109	111	220	15
Accounts Payable	(15,194)	(61,199)	(76,393)	11,358
Contracts Payable	19,267	5,853	25,120	-
Accrued Salaries Payable	951	(64)	887	642
Intergovernmental Payable	3,831	133,276	137,107	462
Compensated Absences Payable	3,560	(232)	3,328	23,292
Net Cash Provided (Used) by Operating Activities	\$ <u><u>5,501</u></u>	<u><u>(406,933)</u></u>	<u><u>(401,432)</u></u>	<u><u>58,636</u></u>

Noncash Capital Financing Activities:

The Sewer fund received \$312,062 in assets via the governmental funds during 2006.

This amounts is included in capital contributions.

See accompanying notes to the basic financial statements.

**CITY OF OAKWOOD, OHIO**  
Statement of Assets and Liabilities  
Agency Funds  
December 31, 2006

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	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents in segregated accounts	\$ <u>8,659</u>
Total assets	\$ <u><u>8,659</u></u>
Liabilities:	
Due to other governments	\$ 7,923
Deposits held and due to others	<u>736</u>
Total liabilities	\$ <u><u>8,659</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, 2006

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**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, 2006

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Government-wide Financial Statements

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

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

Fund Financial Statements

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

**Fund Accounting**

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

Governmental Funds

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

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

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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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 fees 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 report 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 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. The City only has one agency fiduciary fund which is used to account for the holdings of the municipal court.

**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, 2006

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**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, 2006

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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, 2006, but which were levied to finance 2007 operations, have been recorded as deferred revenues. 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, 2006.

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 activities for 2006 amounted to \$683,124. This amount includes a decrease of \$30,609 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, 2006

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**Supplies Inventory**

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

Inventory consists of expendable supplies held for consumption.

**Internal Balances**

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances”. At December 31, 2006 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. Pursuant to GASB Statement No. 34, for fiscal years beginning after June 15, 2006, the City must retroactively report all infrastructure assets acquired before December 31, 2002. The City expects to accomplish retroactive reporting of infrastructure by the required deadline.

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 in the business-type activities 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

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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The City has elected to phase-in recording its governmental-activities infrastructure as permitted by GASB and therefore only the infrastructure placed in service subsequent to December 31, 2002 are recorded in the financial statements.

**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 funds 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.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Reservations and Designation of Fund Balance**

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

**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 are 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.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**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.

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.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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	General Fund	Refuse Fund
GAAP Basis	\$ (3,166,249)	\$ 539
Revenue Accruals	(101,787)	(2,506)
Expenditure Accruals	93,525	260
Encumbrances	(136,903)	(38,747)
Principal Retirement	(2,850,000)	-
Transfers	2,550,000	-
Proceeds from Sale of Notes	4,800,000	-
Budgetary Basis	\$ <u>1,188,586</u>	\$ <u>(40,454)</u>

**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 \$1,312,283 and the bank balance was \$1,510,818 bank balance, \$239,650 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", \$1,271,368 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.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

Investments

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

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than One Year	One to Five Years	Five to Seven Years
Federal Home Loan Mortgage Corp	\$ 5,200,804	\$ -	\$ 2,713,789	\$ 2,487,015
Federal Home Loan Bank	5,618,408	997,655	4,620,753	-
STAR Ohio	<u>1,423,558</u>	<u>1,423,558</u>	-	-
Total	<u>\$ 12,242,770</u>	<u>\$ 2,421,213</u>	<u>\$ 7,334,542</u>	<u>\$ 2,487,015</u>

*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 Federal Home Loan Mortgage Corp and federal Home Loan Bank notes have ratings of AAA by Standard & Poors’. The City’s investment in STAR Ohio has 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:

Investment	Percent
Federal Home Loan Mortgage Corp	42.48%
Federal Home Loan Bank	45.89%
STAR Ohio	11.63%

**Note 5 – Receivables:**

Receivables at December 31, 2006 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 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2005 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes collected in and intended to finance 2006.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The full tax rate of for all City operations for the year ended December 31, 2006 was \$11.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 312,165,640
Public Utility Tangible Personal Property Assessed Valuation	3,086,980
Tangible Personal Property Assessed Valuation	<u>1,488,797</u>
Total	<u>\$ 316,741,417</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, 2006, 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 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Tax

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

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations and then transferred to subsidize other funds.

Due from Other Governments

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 126,324
Estate Share Taxes	36,109
Homestead/Rollback	111,307
Gasoline tax	132,984
Motor vehicle license fees	26,742
Permissive motor vehicle license tax	<u>29,142</u>
Total	<u>\$ 462,608</u>

**Note 6 – Capital Assets:**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
<u>Governmental Activities</u>				
Non-depreciable capital assets:				
Land	\$ 368,029	\$ 2,349,093	\$ -	\$ 2,717,122
Construction in Progress	524,164	131,806	(655,970)	-
Non-depreciable capital assets	892,193	2,480,899	(655,970)	2,717,122
Depreciable capital assets:				
Buildings	14,396,712	307,336	-	14,704,048
Improvements	1,138,373	22,000	-	1,160,373
Equipment	1,875,584	134,437	(73,034)	1,936,987
Vehicles	2,253,554	208,973	(20,984)	2,441,543
Infrastructure	2,370,700	633,851	-	3,004,551
Depreciable capital assets:	22,034,923	1,306,597	(94,018)	23,247,502
Less: accumulated depreciation				
Buildings	(1,236,135)	(351,183)	-	(1,587,318)
Improvements	(1,061,320)	(27,558)	-	(1,088,878)
Equipment	(1,269,573)	(218,745)	73,034	(1,415,284)
Vehicles	(1,890,423)	(184,124)	20,984	(2,053,563)
Infrastructure	(93,432)	(72,657)	-	(166,089)
Accumulated depreciation	(5,550,883)	(854,267) *	94,018	(6,311,132)
Depreciable capital assets, net	16,484,040	452,330	-	16,936,370
Governmental activities capital assets, net	<u>\$ 17,376,233</u>	<u>\$ 2,933,229</u>	<u>\$ (655,970)</u>	<u>\$ 19,653,492</u>

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

General government	\$ 435,468
Security of person & property	111,286
Community environment	97,524
Transportation	38,855
Leisure time activities	27,583
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	143,551
<b>Total depreciation expense - governmental activities</b>	<b>\$ 854,267</b>

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
<i><u>Business-Type Activities</u></i>				
Non-depreciable capital assets:				
Land	\$ 314,415	\$ -	\$ (30,595)	\$ 283,820
Depreciable capital assets:				
Buildings	824,100	-	(32,100)	792,000
Improvements	188,534	-	-	188,534
Equipment	2,536,067	-	(9,347)	2,526,720
Vehicles	374,691	-	-	374,691
Infrastructure	4,184,698	312,062	-	4,496,760
Depreciable capital assets:	8,108,090	312,062	(41,447)	8,378,705
Less: accumulated depreciation				
Buildings	(331,904)	(18,070)	32,100	(317,874)
Improvements	(90,119)	(7,228)	-	(97,347)
Equipment	(2,298,243)	(110,438)	9,347	(2,399,334)
Vehicles	(284,789)	(42,552)	-	(327,341)
Infrastructure	(2,660,123)	(57,081)	-	(2,717,204)
Accumulated depreciation	(5,665,178)	(235,369)	41,447	(5,859,100)
Depreciable capital assets, net	2,442,912	76,693	-	2,519,605
Business-type activities capital assets, net	\$ 2,757,327	\$ 76,693	\$ (30,595)	\$ 2,803,425

**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, 2006

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Ohio Public Employees Retirement System

The City of Oakwood 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 2006, member and contribution rates were consistent across all three plans. The 2006 member contribution rate was 9.0 percent and the City's contribution rate was 13.70 percent of covered payroll. The City's contributions to the plans for the years ending December 31, 2006, 2005, and 2004 were \$471,243, \$486,739, and \$458,861, respectively. Total contributions for 2006 represented 92 percent of required contributions for the year, with 100% being contributed for 2005 and 2004.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 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, 2006, 2005 and 2004 were \$479,864, \$633,241 and \$595,685. Total contributions for 2006 represented 69 percent of required contributions for the year, with 100 percent being contributed for 2005 and 2004.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**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 2006 the portion of the required contribution used to fund health care was 4.5 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, 2005, include a rate of return on investments of 6.5 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 0.5 to 6.0 percent for the next nine years. In subsequent years (ten 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 annually, not to exceed a 12 percent corridor.

The number of active contributing participants was 369,214 as of December 31, 2006 and the number of active contributing participants used for both plans in the December 31, 2005 actuarial valuation was 358,804. The City's actual contributions for 2006 which were used to fund postemployment benefits were \$154,788. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, 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, 2006

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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 2006. 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 2006 that were used to fund postemployment benefits were \$154,956. The OP&F's total health care expense for the year ended December 31, 2005, (the date of the the last actuarial valuation) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 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 \$372,571 at December 31, 2006.

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. Any employee who retires under the provisions of the Ohio Public Employees Retirement System or the Ohio Police and Fire Pension Fund, or any other plan of the State of Ohio or the City of Oakwood, will be compensated for accumulated sick leave of sixty (60) days or more, upon the basis of one day's pay for every three (3) days sick leave. If an employee has accumulated one hundred twenty (120) days of sick leave or more, the employee or his beneficiary will be compensated at retirement or death at one day's pay for each two (2) days of sick leave, on the same terms as outlined above, but in place of the formula outlined above. The total obligation for the sick leave accrual for the City as a whole amounted to \$223,245 at December 31, 2006.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**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 2006, the City contracted with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent.

The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
Property insurance	\$ 23,666,636	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	1,386,768	1,000
Fire vehicle	641,368	1,000
Automobile	5,000,000	1,000*
EDP	205,188	1,000
Bond	100,000	0

\* on selected vehicles. Others have no deductible

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

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

Employees receive health insurance benefits through Anthem Blue Access PPO with 5% of premiums paid by the employee. Payments are made to the carrier by the City on behalf of the employees. Dental benefits are provided by the Guardian 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.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Note 10 - Long-Term Obligations:**

A schedule of changes in long-term obligations of the City during 2006, follows:

	Amount Outstanding 12/31/2005	Additions	Deletions	Amount Outstanding 12/31/2006	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
Police and Fire Pension	\$ 600,634	\$ -	\$ 10,525	\$ 590,109	\$ 10,977
Compensated Absences Payable	<u>528,147</u>	<u>687,884</u>	<u>667,161</u>	<u>548,870</u>	<u>100,439</u>
Total Governmental Activities	<u>\$ 1,128,781</u>	<u>\$ 687,884</u>	<u>\$ 677,686</u>	<u>\$ 1,138,979</u>	<u>\$ 111,416</u>
<b><u>Business-Type Activities:</u></b>					
OPWC	\$ 271,517	\$ -	\$ 25,859	\$ 245,658	\$ 25,859
Compensated Absences Payable	<u>43,618</u>	<u>59,816</u>	<u>56,488</u>	<u>46,946</u>	<u>9,389</u>
Total Business-Type Activities	<u>\$ 315,135</u>	<u>\$ 59,816</u>	<u>\$ 82,347</u>	<u>\$ 292,604</u>	<u>\$ 35,248</u>

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 2007, only a portion of the accumulated vacation leave is estimated as due within one year.

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$28.5 million.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2006 were:

Year Ending December 31,	Police and Fire Pension		OPWC Loan Payable	
	Principal	Interest	Principal	Interest
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	12,988	22,953	25,859	-
2012-2016	73,803	105,903	116,363	-
2017-2021	91,074	88,632	-	-
2022-2026	112,387	67,320	-	-
2027-2031	138,687	41,020	-	-
2032-2035	114,351	9,824	-	-
Total	<u>\$ 590,109</u>	<u>\$ 432,598</u>	<u>\$ 245,658</u>	<u>\$ -</u>

**Note 11 - Short-Term Obligations:**

A summary of the short-term note transactions for the year ended December 31, 2006 follows:

	Balance December 31,		Increase	Decrease	Balance December 31,	
	2005				2006	
<i>General Fund:</i>						
2005 Capital Facilities Note - 3.00%	\$ 2,850,000	\$ -	\$ 2,850,000	\$ -		
2006 Capital Facilities Note - 4.50%	-	2,500,000	-	2,500,000		
2006 Land Acquisition Note - 4.25%	-	2,300,000	-	2,300,000		
	<u>\$ 2,850,000</u>	<u>\$ 4,800,000</u>	<u>\$ 2,850,000</u>	<u>\$ 4,800,000</u>		

During 2006, the City issued \$2.5 million in Capital Facilities Notes that will mature on March 15, 2007. The proceeds of these notes were used to pay the debt service on \$2.85 million of 2005 Capital Facilities Notes that matured during the year. These notes were originally issued to provide financing for the construction of a new Public Works facility and for the reconstruction of and addition to the City's municipal building. In addition, during 2006 the City issued \$2.3 million in Land Acquisition Notes that will mature on October 17, 2007. These notes were issued to provide financing for the acquisition of real property for parks and recreational activities. Both of these notes will be paid from general revenues and are backed by the full faith and credit of the City.

**CITY OF OAKWOOD, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Note 12 – Transfers:**

The following is a summary of transfers in and out for all funds in 2006:

<u>Fund</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund	\$ -	\$ 2,631,756
Refuse Collection Fund	918,000	-
Non-major Governmental Funds	<u>2,270,469</u>	<u>556,713</u>
Total Transfers	<u>\$ 3,188,469</u>	<u>\$ 3,188,469</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. Monies transferred from the enterprise funds to the non-major permanent improvement reserve fund were made to pay for the utilities' share of certain capital projects.

**Note 13 - Contingent Liabilities:**

Litigation

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

Federal and State Grants

For the period January 1, 2006 to December 31, 2006 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, 2006

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<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
Judy Cook	Mayor	1/1/90 to 12/31/09
Carlo C. McGinnis	Vice-Mayor	1/1/86 to 12/31/09
Roger C. Blumensheid	Council Member	2/14/00 to 12/31/07
Stanley Castleman	Council Member	11/04/03 to 12/31/07
William D. Duncan	Council Member	5/30/03 to 12/31/07
Norbert S. Klopsch	City Manager	Appointed
Jay A. Weiskircher	Deputy City Manager, Director of Personnel	Appointed
Alex Bebris	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
Dalma C. Grandjean	City Attorney	Appointed
Mary D. Pryor, M.D.	Health Commissioner	Appointed
Linda Merker	Income Tax Administrator	Appointed

Oakwood Municipal Court

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.



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

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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2007. 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 City of Oakwood's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

## 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 28, 2007.

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, Hackett & Co.*

Springfield, Ohio  
June 28, 2007



**Mary Taylor, CPA**  
Auditor of State

**CITY OF OAKWOOD**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 21, 2007**