CITY OF OAKWOOD

Basic Financial Statements

December 31, 2007



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 Auditor's Report* of the City of Oakwood, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Jaylor

Mary Taylor, CPA Auditor of State

July 16, 2008

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PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT AUDITOR'S 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 (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City'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, as of December 31, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison 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 13, 2008, on our consideration of the City'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 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc. June 13, 2008

CITY OF OAKWOOD, OHIO MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

(Unaudited)

The discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. 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, 2007 are as follows:

- Total net assets increased by \$9.0 million, which represents a 17.7 percent increase from 2006. This increase was due primarily to a large increase in the amount of in intergovernmental, estate tax settlement, income tax and interest revenue received during the year.
- Total net assets of governmental activities increased by \$8.8 million from those reported at December 31, 2006. The increase is due mainly to a significant estate tax settlement received during 2007.
- The net assets of the City's business-type activities increased by \$123,332 during 2007 compared to the decrease of \$257,302 reported in the prior year. A slight increase in revenues charged for water and sewer services accompanied by decreases in expenses account for this increase.
- The \$5.5 million unreserved, undesignated ending fund balance reported in the General Fund represents 68.3 percent of the total expenditures reported in the General Fund for 2007.

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 2007?" 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, 2007

(Unaudited)

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

CITY OF OAKWOOD, OHIO MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (Unoudited)

(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 \$59.7 million at December 31, 2007.

TABLE 1

Table 1 provides a summary of the City's net assets for 2007 compared to 2006:

NET ASSETS Business-Type Activities **Governmental Activities** Total Restated Restated 2007 2006 2007 2006 2007 2006 Assets: Current and Other Assets \$ 24,802,542 \$ 16,016,421 2,595,474 \$ 2,380,090 \$ 27,398,016 \$ 18,396,511 \$ Capital Assets, Net 38,772,785 19,653,492 2,659,704 2,803,425 41,432,489 22,456,917 63,575,327 5,255,178 68,830,505 Total Assets 35,669,913 5,183,515 40,853,428 Liabilities: 7,389,019 300,095 Current and Other Liabilities 7,324,426 264,793 7,589,219 7,689,114 Long-Term Liabilities: 146,564 Due Within One Year 108,337 111,416 37,126 35,148 145,463 Due in More than One Year 1,106,910 1,027,563 239,011 257,356 1,345,921 1,284,919 Total Liabilities 8,539,673 8,527,998 540,930 592,599 9,080,603 9,120,597 Net Assets: Invested in Capital Assets, Net 34,522,785 33,898,954 2,439,905 2,557,767 36,962,690 36,456,721 1,034,527 Restricted 1,034,527 470,180 470,180 Unrestricted 19,478,342 11,818,243 2,274,343 2,033,149 21,752,685 13,851,392 55,035,654 46,187,377 4,714,248 59,749,902 50,778,293 Total Net Assets 4,590,916 \$ \$

As displayed in Table 1 total net assets of the City as a whole, increased by \$9.0 million from total net assets reported at December 31, 2006. The governmental activities reported an increase in net assets during 2007 of \$8.8 million and the business-type activities showed an increase in net assets of \$123,332 for the year. The increase in the governmental funds resulted from a significant estate tax settlement received in 2007 compared with prior years. The increase in net assets for business-type activities was mainly the result of the city completing their water meter change-out program in early 2007, therefore, expenses were less than in prior years. Most of the meters were replaced during 2005 and 2006.

Total unrestricted net assets increased by approximately \$7.9 million from those reported at December 31, 2006, while restricted net assets increased by approximately \$564,000 and net assets invested in capital assets, net of related debt increased by approximately \$506,000. The increase in unrestricted net assets was the result of the above mentioned estate tax settlement received during 2007.

CITY OF OAKWOOD, OHIO MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

(Unaudited)

Table 2 shows the changes in net assets for the year ended December 31, 2007 as compared with the year end December 31, 2006.

| | Government | al Activities | Business-Ty | pe Activities | Тс | otal | | |
|---------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|--|--|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | | |
| Revenues: | | | | | | | | |
| Program Revenues: | | | | | | | | |
| Charges for Services | \$ 1,386,797 | \$ 1,496,211 | \$ 2,330,435 | \$ 2,059,799 | \$ 3,717,232 | \$ 3,556,010 | | |
| Operating Grants/Contributions | 53,829 | 60,494 | - | - | 53,829 | 60,494 | | |
| Capital Grants/Contributions | 150,000 | - | - | 312,062 | 150,000 | 312,062 | | |
| General Revenues: | | | | | | | | |
| Municipal Income Taxes | 5,952,418 | 5,129,203 | - | - | 5,952,418 | 5,129,203 | | |
| Property and Other Taxes | 1,891,090 | 1,851,514 | - | - | 1,891,090 | 1,851,514 | | |
| Grants and Entitlements | 11,087,402 | 1,383,834 | - | - | 11,087,402 | 1,383,834 | | |
| Other | 1,653,736 | 916,220 | 123,363 | 73,495 | 1,777,099 | 989,715 | | |
| Total Revenues | 22,175,272 | 10,837,476 | 2,453,798 | 2,445,356 | 24,629,070 | 13,282,832 | | |
| Program Expenses | | | | | | | | |
| Security of Person & Property | 4,930,310 | 4,411,120 | - | - | 4,930,310 | 4,411,120 | | |
| Public Health Services | 101,379 | 108,205 | - | - | 101,379 | 108,205 | | |
| Leisure Time Activities | 1,012,377 | 1,021,699 | - | - | 1,012,377 | 1,021,699 | | |
| Community Environment | 1,787,659 | 1,806,773 | - | - | 1,787,659 | 1,806,773 | | |
| Transportation | 1,032,984 | 908,254 | - | - | 1,032,984 | 908,254 | | |
| General Government | 3,525,701 | 3,448,591 | - | - | 3,525,701 | 3,448,591 | | |
| Public Works | 724,276 | - | | | 724,276 | - | | |
| Interest and Fiscal Charges | 212,309 | 141,289 | - | - | 212,309 | 141,289 | | |
| Water | - | - | 972,362 | 1,021,689 | 972,362 | 1,021,689 | | |
| Sewer | - | - | 1,358,104 | 1,680,969 | 1,358,104 | 1,680,969 | | |
| Total Expenses | 13,326,995 | 11,845,931 | 2,330,466 | 2,702,658 | 15,657,461 | 14,548,589 | | |
| Change in Net Assets | 8,848,277 | (1,008,455) | 123,332 | (257,302) | 8,971,609 | (1,265,757) | | |
| Beginning Net Assets (restated) | 46,187,377 | 47,195,832 | 4,590,916 | 4,848,218 | 50,778,293 | 52,044,050 | | |
| Ending Net Assets | \$ 55,035,654 | \$ 46,187,377 | \$ 4,714,248 | \$ 4,590,916 | \$ 59,749,902 | \$ 50,778,293 | | |

TABLE 2CHANGES IN NET ASSETS

Governmental Activities

During 2007, total net assets reported in the governmental activities increased by approximately \$8.8 million. Total revenues increased by \$11.3 million compared with a year ago. The estate tax received by the City in 2007 increased approximately \$9 million 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. Income tax revenues also increased by about \$823,000 and interest received on investments increased approximately \$678,000 due to the City having higher cash balances to invest during 2007. Expenses of the governmental activities increased by \$1.5 million compared to the prior year. A significant portion of these additional expenses were incurred as a result of depreciation expense taken on the City's infrastructure assets added to the capital asset system in 2007. 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. Some 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, 2007

(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

Demonstrate of Francis

| | | | Percentage of Function |
|-------------------------------|---------------------|------------------------|------------------------|
| | Percentage of Total | Net Expense of | Financed with General |
| | Program Expenses | Function | Revenues |
| Program Expense: | | | |
| Security of Person & Property | 36.99% | \$ (4,611,363) | 93.53% |
| Public Health Services | 0.76% | (78,034) | 76.97% |
| Leisure Time Activities | 7.60% | (502,907) | 49.68% |
| Community Environment | 13.41% | (1,528,602) | 85.51% |
| Transportation | 7.75% | (1,032,984) | 100.00% |
| General Government | 26.46% | (3,195,894) | 90.65% |
| Public Works | 5.43% | (574,276) | 79.29% |
| Interest and Fiscal Charges | <u>1.59%</u> | (212,309) | 100.00% |
| Total | <u>100.00</u> % | <u>\$ (11,736,369)</u> | 88.06% |

As indicated by Table 3, the City is spending about half of its resources (50 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 6.5 percent of functional expenses. This means that general revenues collected by the city, principally municipal income taxes and property taxes, must cover the remaining 93.5 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 26 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 50.3 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 84 percent of the total governmental revenues collected by the City during 2007. Principal components of general revenues; grants and contributions not restricted to specific purposes, including estate taxes (54 percent) municipal income taxes (29 percent) and local property taxes (9 percent), are used to furnish the quality of life and 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, 2007 (Unoudited)

(Unaudited)

Business-Type Activities

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

<u>Water</u> – 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 operating income of \$135 during 2007 compared to the operating loss of \$271,480 reported for 2006. In the prior year, the City expensed the replacement water meters which accounted for nearly \$100,000 of the difference between the two years. At December 31, 2007 the unrestricted net assets represented 129.3 percent of the operating expenses reported for 2007.

<u>Sewer</u> – 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 \$54,262 during 2007 as compared with an operating loss of \$525,759 reported for 2006. Increases in revenues along with the decrease in expenses contribute to the turn around.

Overall, the City's business-type activities generated \$2.3 million in program revenue during 2007, while program expenses were \$2.3 million. The operating expense of the business-type activities decreased by nearly \$373,000 from those reported for 2006; primarily attributed to the expensing of the replacement water meters in the prior year. The business-type activities incurred an overall increase in net assets of \$123,332. This increase, although slight, shows an improvement in overall operations in the last several years. It should be noted that the unrestricted net assets of the business-type activities reported at December 31, 2007 equaled 58.9 percent of the total expenses reported for business-type activities for 2007. 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 \$21.6 million and expenditures of \$13.2 million for 2007. In total, the governmental funds reported a \$8.4 million increase in total fund balance for the year. In 2006, the fund balance of the City's governmental funds decreased by approximately \$3.2 million. Most of the increase reported in 2007 was associated with a significant settlement of estate taxes. The unreserved fund balance may serve as a useful measure of a governmental funds at December 31, 2007 was \$11.9 million, or 90.4 percent of the total expenditures reported for the governmental funds for 2007.

The City's General Fund realized a \$3.5 million increase in fund balance during 2007. While the full amount of the estate tax settlement was originally recorded in the General Fund, a significant amount was transferred to the capital improvement fund. This was in addition to the regular transfers made each year for recreation, street maintenance, state highway and others. These transfers also pay for capital improvement projects and construction of capital assets. In 2007, the General Fund transferred over \$8.1 million to other funds.

CITY OF OAKWOOD, OHIO MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (Unaudited)

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

General Fund Budgeting Highlights

The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews the detailed budgets of each department within the General Fund and other funds, and then adopts the budget on a fund basis. During 2007, 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 \$18 million as compared to the actual revenues received of \$19 million. The City received more intergovernmental revenue than budgeted due to the nature of the estate taxes. 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 amount of interest revenue recognized is based on how much revenue is invested and how the market performs, which leads to difficulty in budgeting. The City was able to invest a significant amount of their cash balances and therefore received increased revenue from the interest.

The budgeted expenditures of the City increased by \$760,000 from the original budget to the final budget numbers due to the City purchasing land later in the year that was not originally budgeted. For the year ended December 31, 2007 the total actual budgetary change in fund balance for the General Fund was \$2.2 million resulting in a reported \$9.2 million ending budgetary fund balance as of December 31,2007. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 70.8 percent of the total budgetary expenditures of the General Fund for 2007.

Capital Assets

At the end of 2007, the City had a total of \$64.2 million invested in capital assets less accumulated depreciation of \$22.8 million resulting in total capital assets, net of accumulated depreciation of \$41.4 million.

During 2007 the City made a prior period adjustment to capital assets reported at December 31, 2006 (See Note 3 of the Notes to the Financial Statements) to increase governmental net assets by \$19 million for the amount of infrastructure within the City from 1980 to the present. During 2007 additional assets were purchased. Over \$500,000 was spent to acquire land which will be utilized as park land by residents. In addition, over \$400,000 was spent on improving the functionality and appearance of one of the City's intersections, Oakwood/Schantz Avenues. In addition to these significant projects, the City acquired over \$250,000 in buildings and improvements as well as an additional \$200,000 in vehicles and equipment during the year.

CITY OF OAKWOOD, OHIO MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

(Unaudited)

Table 4 shows 2007 capital asset balances compared to those of 2006:

| | Governmen | tal Activities | Business-Ty | pe Activities | То | otal |
|--------------------------|---------------|----------------|--------------|---------------|---------------|---------------|
| | | Restated | | | | Restated |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land | \$ 4,370,035 | \$ 3,859,036 | \$ 283,820 | \$ 283,820 | \$ 4,653,855 | \$ 4,142,856 |
| Buildings | 12,899,344 | 13,116,730 | 455,096 | 474,126 | 13,354,440 | 13,590,856 |
| Improvements | 80,961 | 71,495 | 103,338 | 91,187 | 184,299 | 162,682 |
| Equipment | 433,661 | 521,703 | 53,679 | 127,386 | 487,340 | 649,089 |
| Vehicles | 313,990 | 387,980 | 8,726 | 47,350 | 322,716 | 435,330 |
| Infrastructure | 20,443,564 | 20,742,010 | 1,755,045 | 1,779,556 | 22,198,609 | 22,521,566 |
| Construction in Progress | 231,230 | - | | - | 231,230 | |
| Total | \$ 38,772,785 | \$ 38,698,954 | \$ 2,659,704 | \$ 2,803,425 | \$ 41,432,489 | \$ 41,502,379 |

TABLE 4 CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

Additions of capital assets during the year totaled \$1.70 million while depreciation reported for the governmental activities and business-type activities totaled \$1.77 million, resulting in a decrease in the total net book value of the City's capital assets of approximately \$70,000.

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

Debt Administration

At December 31, 2007, the City had a total of approximately \$5.0 million of short and long-term debt obligations compared with approximately \$5.6 million reported at December 31, 2006.

Governmental debt obligations include \$4,250,000 in capital facility improvement and land acquisition notes and a \$579,132 police and fire pension liability.

The \$219,799 OWDA loan reported in the City's sewer fund was reduced by \$25,859 from the \$245,658 reported on December 31, 2006. 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, 2007, the City's overall legal debt margin was \$28.8 million and the unvoted debt margin was \$13 million. See Notes 11 and 12 of the notes to the basic financial statements for more detailed information on the debt obligations of the City.

Contacting the City's Finance Department

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

Statement of Net Assets December 31, 2007

| | G | overnmental Activities | Business-Type Activities | Total |
|---|----|---------------------------|-----------------------------|------------------|
| Assets | | | | |
| Equity in pooled cash and investments | \$ | 20,523,551 | \$ 1,306,165 | \$ 21,829,716 |
| Cash in segregated accounts | | 17,276 | - | 17,276 |
| Receivables: | | | | |
| Property taxes | | 1,721,629 | - | 1,721,629 |
| Income taxes | | 2,222,312 | - | 2,222,312 |
| Accounts | | 53,576 | 404,075 | 457,651 |
| Special Assessments | | 117,667 | - | 117,667 |
| Interest | | 173,415 | 12,633 | 186,048 |
| Intergovernmental | | 675,583 | - | 675,583 |
| Prepaid items | | 26,763 | 2,789 | 29,552 |
| Internal balances | | (851,336) | 851,336 | - |
| Supplies inventory | | 122,106 | 18,476 | 140,582 |
| Nondepreciable capital assets | | 4,601,265 | 283,820 | 4,885,085 |
| Depreciable capital assets, net | | 34,171,520 | 2,375,884 | 36,547,404 |
| Total assets | | 63,575,327 | 5,255,178 | 68,830,505 |
| Liabilities | | | | |
| Accounts payable | | 157,770 | 227,346 | 385,116 |
| Contracts payable | | 533,627 | - | 533,627 |
| Accrued wages payable | | 148,297 | 12,003 | 160,300 |
| Intergovernmental payable | | 453,519 | 25,444 | 478,963 |
| Accrued interest payable | | 87,935 | - | 87,935 |
| Notes payable | | 4,250,000 | - | 4,250,000 |
| Unearned revenue | | 1,693,278 | - | 1,693,278 |
| Noncurrent liabilities: | | | | |
| Due within one year | | 108,337 | 37,126 | 145,463 |
| Due in more than one year | | 1,106,910 | 239,011 | 1,345,921 |
| Total liabilities | | 8,539,673 | 540,930 | 9,080,603 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | | 34,522,785 | 2,439,905 | 36,962,690 |
| Restricted for: | | | | |
| Capital projects | | 279,175 | - | 279,175 |
| Other purposes | | 697,258 | - | 697,258 |
| Permanent endowment: | | | | |
| Nonexpendable | | 50,000 | - | 50,000 |
| Expendable | | 8,094 | - | 8,094 |
| Unrestricted | | 19,478,342 | 2,274,343 | 21,752,685 |
| Total net assets | \$ | 55,035,654 | \$ 4,714,248 | \$ 59,749,902 |

| | Net (Expense) Revenue and Changes in Net Assets | ttal Business-Type s Activities Total | | 363) \$ - \$ (4,611,363) 334) - (78,034) | - | | | 276) | | 369) - (11,736,369) | | | - (41,129) (41,129) | - (31) (31) | 369) (31) (11,736,400) | | - 5,952,418 | | - 1,8 | ı | - 1 | 94,542 1, | <u>986</u> <u>28,821</u> <u>311,807</u> | <u>546</u> <u>123,363</u> <u>20,708,009</u> | 123,332 | 4,590,916 | <u>554</u> <u>\$ 4,714,248</u> <u>\$ 59,749,902</u> |
|---|--|--|---|--|-------------------------|-----------------------|----------------|------------------------------------|----------------------------|-------------------------------|---------------------------|-----------|---------------------|--------------------------------|------------------------|-----------------------------|--------------|----------------------------|------------------|-------------------------|--|---------------------|---|---|----------------------|---|---|
| | | Governmental Activities | | \$ (4,611,363) (78,034) | (502,907) | (1,528,602) | (1,032,984) | (574,276) (574,276) | | 0 (11,736,369) | | | | | 0 (11,736,369) | | 5,952,418 | | 1,806,805 | 84,285 | 11,087,402 | 1,370,750 | 282,986 | 20,584,646 | 8,848,277 | 46,187,377 | \$ 55,035,654 |
| ; 31, 2007 | s | Capital Grants and Contributions | | \$ | | | | - 150,000 | | 150,000 | | I | | ' | \$ 150,000 | | | | | | ms | | | | | | |
| Statement of Activities For the Year Ended December 31, 2007 | Program Revenues | Operating Grants and Contributions | | \$ 17,628 - | 28,757 | I | | /,444 - | ı | 53,829 | | ı | | 1 | \$ 53,829 | | | | | | 1 to specific program | | | | | | |
| State For the Year | | Charges for Services | | \$ 301,319 23,345 | 480,713 | 259,057 | - 000 | | | 1,386,797 | | 1,013,460 | 1,316,975 | 2,330,435 | \$ 3,717,232 | | | levied for: | ses | e pension | Grants and contributions not restricted to specific programs | ings | | anues | ets | Net assets beginning of year (Restated) | of year |
| | | Expenses | | \$ 4,930,310 101,379 | 1,012,377 | 1,787,659 | 1,032,984 | 724,276 | 212,309 | 13,326,995 | | 972,362 | 1,358,104 | 2,330,466 | \$ 15,657,461 | General revenues: Taxes: | Income taxes | Property taxes levied for: | General purposes | Police and fire pension | Grants and contr | Investment earnings | Miscellaneous | Total general revenues | Change in net assets | Net assets beginni | Net assets end of : |
| | | | <u>Functions/Programs</u> Governmental activities: | Security of persons and property Public health services | Leisure time activities | Community environment | Transportation | General government Public works | Interest on long-term debt | Total governmental activities | Business-type activities: | Water | Sewer | Total business-type activities | Total | | | | | | | | | | | | |

Balance Sheet Governmental Funds December 31, 2007

| | | General Fund | | Refuse | In | Capital | G | Other overnmental Funds | G | Total overnmental Funds |
|--|----|------------------|----|---------------|----|-----------|----|-------------------------------|----|-------------------------------|
| Assets | | | | | | | | | | |
| Equity in pooled cash and investments | \$ | 9,743,831 | \$ | 685,606 | \$ | 5,431,080 | \$ | 4,499,898 | \$ | 20,360,415 |
| Cash in segregated accounts | | 15,164 | | - | | - | | 2,112 | | 17,276 |
| Receivables: | | | | | | | | | | |
| Property taxes | | 1,638,758 | | - | | - | | 82,871 | | 1,721,629 |
| Income taxes | | 2,222,312 | | - | | - | | - | | 2,222,312 |
| Accounts | | 11,818 | | 41,758 | | - | | - | | 53,576 |
| Special Assessments | | - | | - | | - | | 117,667 | | 117,667 |
| Interest | | 166,866 | | - | | - | | 6,549 | | 173,415 |
| Intergovernmental | | 313,459 | | - | | - | | 362,124 | | 675,583 |
| Prepaids | | 17,880 | | 516 | | - | | 7,997 | | 26,393 |
| Supplies inventory | | 30,990 | _ | 10,072 | _ | - | | 63,838 | _ | 104,900 |
| Total assets | \$ | 14,161,078 | \$ | 737,952 | \$ | 5,431,080 | \$ | 5,143,056 | \$ | 25,473,166 |
| Liabilities and Fund Balances | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts payable | \$ | 62,587 | \$ | 17,400 | | 39,962 | \$ | 22,289 | \$ | 142,238 |
| Contracts payable | | _ | · | - | | 349,070 | · | 184,557 | | 533,627 |
| Notes payable | | 4,250,000 | | _ | | | | | | 4,250,000 |
| Accrued wages payable | | 99,048 | | 18,819 | | | | 25,620 | | 143,487 |
| Accrued interest payable | | 87,935 | | 10,017 | | | | 23,020 | | 87,935 |
| Intergovernmental payable | | 348,957 | | 36,981 | | _ | | 58,294 | | 444,232 |
| Deferred revenue | | 3,639,890 | | 17,423 | | - | | 381,152 | | 4,038,465 |
| Total liabilities | | 8,488,417 | | 90,623 | | 389,032 | | 671,912 | | 9,639,984 |
| Fund balances: | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| | | 80.074 | | 10.126 | | 2 101 152 | | 490 241 | | 2 710 604 |
| Encumbrances | | 89,974 | | 19,136 | | 3,121,153 | | 489,341 | | 3,719,604 |
| Prepaids | | 17,880 30,990 | | 516 10,072 | | - | | 7,997 | | 26,393 |
| Inventory | | 30,990 | | 10,072 | | - | | 63,838 | | 104,900 |
| Bullock Endowment | | | | - | | - | | 50,000 | | 50,000 |
| Unreserved, reported in: | | | | | | | | | | |
| Designated for Memorial Gardens Improvements | | - | | - | | - | | 942 | | 942 |
| Undesignated, Reported in: | | | | | | | | | | |
| General fund | | 5,533,817 | | - | | - | | - | | 5,533,817 |
| Special revenue funds | | - | | 617,605 | | - | | 1,985,507 | | 2,603,112 |
| Capital projects funds | | - | | - | | 1,920,895 | | 1,865,425 | | 3,786,320 |
| Permanent funds | _ | - | | - | | - | | 8,094 | | 8,094 |
| Total fund balances | | 5,672,661 | | 647,329 | | 5,042,048 | | 4,471,144 | | 15,833,182 |
| Total liabilities and fund balances | \$ | 14,161,078 | \$ | 737,952 | \$ | 5,431,080 | \$ | 5,143,056 | \$ | 25,473,166 |

| Total governmental fund balances | | \$ 15,833,182 |
|--|-------------------|---------------|
| Amounts reported for governmental activities in the | | |
| statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial | | |
| resources and therefore are not reported in the funds. | | 33,850,700 |
| Other long-term assets are not available to pay for current-period expenditures | | |
| and therefore are deferred in the funds: | | |
| Municipal income taxes | 1,611,417 | |
| Property and other taxes | 28,171 | |
| Special assessments | 117,847 | |
| Intergovernmental Charges for services | 450,532 17,423 | |
| | | |
| Accrued interest | 119,797 | |
| Total | | 2,345,187 |
| Internal service funds are 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. | | 5,043,760 |
| The internal balance represents the portion of the internal services | | |
| funds' assets and liabilities that are allocated to the enterprise funds. | | (851,336) |
| 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: | (570.122) | |
| Police and fire pension liability | (579,132) | |
| Compensated absences payable Total | (606,707) | (1,185,839) |
| | | |
| Net assets of governmental activities | | \$ 55,035,654 |

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2007

| | General Fund | Refuse | Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|------------|------------------------|--------------------------------|--------------------------------|
| Revenues: | ¢ 1 (71 750 | ¢ | ¢ | ¢ 012.046 | ¢ 1.995.004 |
| Property taxes | \$ 1,671,758 | \$ - | \$ - | \$ 213,246 | \$ 1,885,004 |
| Municipal income taxes | 5,580,572 | - | - | - | 5,580,572 |
| Intergovernmental | 10,494,665 | - | - | 572,493 | 11,067,158 |
| Charges for services | 316,908 | 263,376 | - | 519,365 | 1,099,649 |
| Fines, licenses and permits | 117,289 | - | - | 38,498 | 155,787 |
| Special assessments | - | 5,948 | - | 132,835 | 138,783 |
| Interest | 1,271,870 | - | - | 54,314 | 1,326,184 |
| Donations | - | - | - | 36,201 | 36,201 |
| Other | 232,887 | 23,143 | 4,557 | 22,399 | 282,986 |
| Total revenues | 19,685,949 | 292,467 | 4,557 | 1,589,351 | 21,572,324 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Security of persons and property | 4,528,613 | - | - | 200,757 | 4,729,370 |
| Public health services | - | - | - | 99,097 | 99,097 |
| Leisure time activities | - | - | - | 983,173 | 983,173 |
| Community environment | 458,156 | 1,187,914 | - | 337 | 1,646,407 |
| Transportation | - | - | - | 914,001 | 914,001 |
| General government | 2,181,145 | - | - | 7,683 | 2,188,828 |
| Capital outlay | 746,715 | - | 1,028,406 | 643,718 | 2,418,839 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 10,977 | 10,977 |
| Interest and fiscal charges | 187,345 | | | 24,964 | 212,309 |
| Total expenditures | 8,101,974 | 1,187,914 | 1,028,406 | 2,884,707 | 13,203,001 |
| Excess of revenues over (under) expenditures | 11,583,975 | (895,447) | (1,023,849) | (1,295,356) | 8,369,323 |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 875,000 | 4,696,000 | 2,560,435 | 8,131,435 |
| Transfers out | (8,131,435) | | | | (8,131,435) |
| Total other financing sources (uses) | (8,131,435) | 875,000 | 4,696,000 | 2,560,435 | |
| Net change in fund balance | 3,452,540 | (20,447) | 3,672,151 | 1,265,079 | 8,369,323 |
| Fund balance, beginning of year | 2,220,121 | 667,776 | 1,369,897 | 3,206,065 | 7,463,859 |
| Fund balance, end of year | \$ 5,672,661 | \$ 647,329 | \$ 5,042,048 | \$ 4,471,144 | \$ 15,833,182 |

| Net change in fund balances - total governmental funds | | \$ 8,369,323 |
|--|---------------------------|-----------------|
| 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 cost of those assets is allocated over their estimated useful lives as depreciation expense: | | |
| Capital outlay Depreciation expense | 1,607,132 _(1,400,557) | 206,575 |
| 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. | | 10,977 |
| The internal service funds used by management to charge the cost of providing insurance and the centralized service center to the individual funds are reported in the statement of activities | | (255,850) |
| 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. | | 602,948 |
| Some expenses reported in the statement of activities, such as compensated absences do not require the use current financial resources and therefore are not reported as expenditures in governmental funds. | | (85,696) |
| Change in net assets of governmental activities | | \$ 8,848,277 |

Statement of Revenues, Expenditures and Changes

in Fund Balances - Budget (Non-GAAP) and Actual

General Fund

For the Year Ended December 31, 2007

| | Budgeted Amounts | | | | | | | iance with | | |
|--------------------------------------|------------------|-------------|----|--------------|----|--------------|--------------|------------|--|--|
| | | Original | | Final | | Actual | Final Budget | | | |
| Revenues: | | | | | | | | | | |
| Municipal Income Taxes | \$ | 5,300,000 | \$ | 5,300,000 | \$ | 5,509,919 | \$ | 209,919 | | |
| Property and Other Taxes | | 1,648,800 | | 1,648,800 | | 1,671,758 | | 22,958 | | |
| Intergovernmental | | 1,545,060 | | 10,045,060 | | 10,475,097 | | 430,037 | | |
| Charges for Services | | 177,893 | | 177,893 | | 161,422 | | (16,471) | | |
| Fines, Licenses and Permits | | 115,500 | | 115,500 | | 119,802 | | 4,302 | | |
| Interest | | 545,000 | | 545,000 | | 773,468 | | 228,468 | | |
| Donations | | 1,200 | | 1,200 | | 11,110 | | 9,910 | | |
| Other | | 209,950 | | 209,950 | | 227,291 | | 17,341 | | |
| Total Revenues | | 9,543,403 | | 18,043,403 | | 18,949,867 | | 906,464 | | |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Security of Persons and Property | | 4,450,834 | | 4,450,834 | | 4,512,221 | | (61,387) | | |
| Community Environment | | 512,820 | | 512,820 | | 478,143 | | 34,677 | | |
| General Government | | 2,203,963 | | 2,203,963 | | 2,214,843 | | (10,880) | | |
| Capital Outlay | | - | | 760,000 | | 746,715 | | 13,285 | | |
| Debt Service: | | | | | | | | | | |
| Principal Retirement | | 4,800,000 | | 4,800,000 | | 4,800,000 | | - | | |
| Interest and Fiscal Charges | | 216,450 | | 216,450 | | 209,938 | | 6,512 | | |
| Total Expenditures | | 12,184,067 | | 12,944,067 | | 12,961,860 | | (17,793) | | |
| Excess of Revenues Over(Under) | | | | | | | | | | |
| Expenditures | | (2,640,664) | | 5,099,336 | | 5,988,007 | | 888,671 | | |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Operating Transfers-In | | 143,669 | | 3,089,069 | | 3,073,090 | | (15,979) | | |
| Operating Transfers-Out | | (2,350,481) | | (11,143,881) | | (11,060,857) | | 83,024 | | |
| Proceeds from the Sale of Notes | | 4,250,000 | | 4,250,000 | | 4,250,000 | | - | | |
| Total Other Financing Sources (Uses) | | 2,043,188 | | (3,804,812) | | (3,737,767) | | 67,045 | | |
| Change in Fund Balance | | (597,476) | | 1,294,524 | | 2,250,240 | | 955,716 | | |
| Fund Balance at Beginning of Year | | 6,793,944 | | 6,793,944 | | 6,793,944 | | - | | |
| Prior Year Encumbrances Appropriated | | 136,903 | | 136,903 | | 136,903 | | - | | |
| Fund Balance at End of Year | \$ | 6,333,371 | \$ | 8,225,371 | \$ | 9,181,087 | \$ | 955,716 | | |

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual Refuse Fund For the Year Ended December 31, 2007

| | | Budgeted | Amou | ints | | Va | riance with |
|--------------------------------------|----|-----------|------|-----------|---------------|----|-------------|
| | (| Driginal | | Final | Actual | Fi | nal Budget |
| Revenues: | | | | | | | |
| Charges for Services | \$ | 272,000 | \$ | 272,000 | \$ 265,601 | \$ | (6,399) |
| Special Assessments | | 7,500 | | 7,500 | 5,948 | | (1,552) |
| Other | | 21,500 | | 21,500 | 23,143 | | 1,643 |
| Total Revenues | | 301,000 | | 301,000 | 294,692 | | (6,308) |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Community Environment | | 1,202,700 | | 1,202,700 | 1,100,356 | | 102,344 |
| Total Expenditures | | 1,202,700 | | 1,202,700 | 1,100,356 | | 102,344 |
| Excess of Revenues Over(Under) | | | | | | | |
| Expenditures | | (901,700) | | (901,700) | (805,664) | | 96,036 |
| Other Financing Sources: | | | | | | | |
| Operating Transfers-In | | 1,036,000 | | 1,036,000 | 875,000 | | (161,000) |
| Operating Transfers-Out | | (134,348) | | (134,348) | (107,991) | | 26,357 |
| Total Other Financing Sources (Uses) | | 901,652 | | 901,652 | 767,009 | | (134,643) |
| Change in Fund Balance | | (48) | | (48) | (38,655) | | (38,607) |
| Fund Balance at Beginning of Year | | 650,163 | | 650,163 | 650,163 | | - |
| Prior Year Encumbrances Appropriated | | 38,747 | | 38,747 | 38,747 | | - |
| Fund Balance at End of Year | \$ | 688,862 | \$ | 688,862 | \$ 650,255 | \$ | (38,607) |

Statement of Net Assets Proprietary Funds December 31, 2007

| | | Enterprise Funds | | |
|---|--------------|------------------|--------------|--------------|
| | | | | Internal |
| | Water | Sewer | Total | Service Fund |
| Assets | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments | \$ 1,182,055 | \$ 124,110 | \$ 1,306,165 | \$ 163,136 |
| Receivables: | | | | |
| Accounts | 187,683 | 216,392 | 404,075 | - |
| Interest | 10,940 | 1,693 | 12,633 | - |
| Prepaid Items | 1,426 | 1,363 | 2,789 | 370 |
| Materials and supplies inventory | 17,929 | 547 | 18,476 | 17,206 |
| Total current assets | 1,400,033 | 344,105 | 1,744,138 | 180,712 |
| Noncurrent assets: | | | | |
| Nondepreciable capital assets | 283,820 | - | 283,820 | 25,840 |
| Depreciable capital assets, net | 1,292,534 | 1,083,350 | 2,375,884 | 4,896,245 |
| Total noncurrent assets | 1,576,354 | 1,083,350 | 2,659,704 | 4,922,085 |
| Total assets | 2,976,387 | 1,427,455 | 4,403,842 | 5,102,797 |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 11,226 | 216,120 | 227,346 | 15,532 |
| Accrued wages payable | 7,755 | 4,248 | 12,003 | 4,810 |
| Intergovernmental payable | 16,385 | 9,059 | 25,444 | 9,287 |
| OWDA loan payable | - | 25,859 | 25,859 | - |
| Compensated absences payable | 6,737 | 4,530 | 11,267 | 5,882 |
| Total current liabilities | 42,103 | 259,816 | 301,919 | 35,511 |
| Noncurrent liabilities: | | | | |
| Compensated absences payable | 26,949 | 18,122 | 45,071 | 23,526 |
| OWDA loans payable | | 193,940 | 193,940 | |
| Total noncurrent liabilities | 26,949 | 212,062 | 239,011 | 23,526 |
| Total liabilities | 69,052 | 471,878 | 540,930 | 59,037 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 1,576,354 | 863,551 | 2,439,905 | 4,922,085 |
| Unrestricted | 1,330,981 | 92,026 | 1,423,007 | 121,675 |
| Total net assets | \$ 2,907,335 | \$ 955,577 | 3,862,912 | \$ 5,043,760 |

 Net assets 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.

 \$ 4,714,248

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2007

| | Enterprise Funds | | | | |
|---|---|---|--|--|--|
| | Water | Sewer | Total | Internal Service Fund | |
| Operating revenues: Charges for services Other | \$ 1,013,460 <u>15,703</u> | 13,118 | \$ 2,330,435 28,821 | \$ 552,815 | |
| Total operating revenues | 1,029,163 | 1,330,093 | 2,359,256 | 552,815 | |
| Operating expenses: Personnel services Contractual services Supplies and materials Claims Other Depreciation Total operating expenses Operating income (loss) | 385,824 345,305 127,730 - 2,857 | 1,207,722 5,708 1,422 <u>61,606</u> 1,384,355 | 493,721 1,553,027 133,438 4,279 228,918 2,413,383 (54,127) | 208,238 93,481 278,694 8,169 137,166 725,748 (172,933) | |
| Non-operating revenues: Interest revenue Change in net assets | 82,601 82,736 | 11,941 | 94,542 40,415 | (172,933) | |
| Net assets, beginning of year | 2,824,599 | | , | 5,216,693 | |
| Net assets, end of year | \$ 2,907,335 | \$ 955,577 | | \$ 5,043,760 | |

| Some amounts reported for business-type activities in the statement of activities are different because | | |
|---|---------------|--|
| a proportionate share to the internal service funds' net expenses is reported with business-type activities | 82,917 | |
| | \$ 123,332 | |

Statement of Cash Flows

All Proprietary Funds

For the Year Ended December 31, 2007

| | Enterprise Funds | | | | | |
|--|----------------------|----|-------------|----|-------------|------------------------|
| | Water | | Sewer | | Total | Internal rvice Fund |
| Cash flows from operating activities: | | | | | | |
| Cash received from customers | \$ 1,001,762 | \$ | 1,377,252 | \$ | 2,379,014 | \$ - |
| Cash received from quasi-external transactions | | | | | | 540 505 |
| from other funds Cash received from other sources | 15,703 | | - 13,118 | | 28,821 | 549,505 3,310 |
| Cash payments for employee services and benefits | (374,549) | | (216,403) | | (590,952) | (496,339) |
| Cash payments for insurance claims | (374,349) | | (210,403) | | (390,932) | (490,339) (8,169) |
| Cash payments to insurance channels Cash payments to suppliers for goods and services | (502,463) | | (1,111,355) | | (1,613,818) | (82,638) |
| Cash payments for other operating expenses | (2,857) | | (1,422) | | (4,279) | (139) |
| Net cash provided by operating activities | 137,596 | | 61,190 | | 198,786 | (34,470) |
| | 101,030 | | 01,120 | | 170,700 | (0.1,170) |
| Cash flows from capital and related financing activities: | (02.20.4) | | (1.002) | | (05.105) | (1.122) |
| Acquisition of capital assets Principal paid on notes | (83,394) | | (1,803) | | (85,197) | (4,422) |
| | - | | (25,859) | | (25,859) | - |
| Net cash used by capital and related financing activities | (83,394) | | (27,662) | | (111,056) | (4,422) |
| Cash flows from investing activities: | | | | | | |
| Market gain (loss) on investments | 31,480 | | 5,187 | | 36,667 | - |
| Interest | 50,740 | | 7,826 | | 58,566 | |
| Net cash provided by investing activities | 82,220 | | 13,013 | | 95,233 | - |
| Net change | 136,422 | | 46,541 | | 182,963 | (38,892) |
| Cash and cash equivalents beginning of year | 1,045,633 | | 77,569 | | 1,123,202 | 202,028 |
| Cash and cash equivalents end of year | \$ 1,182,055 | \$ | 124,110 | \$ | 1,306,165 | \$ 163,136 |
| Reconciliation of operating (loss) to net cash provided (used) by operating activities: | | | | | | |
| Operating income (loss) | \$ 135 | \$ | (54,262) | \$ | (54,127) | \$ (172,933) |
| Adjustments to reconcile operating income (loss) to net | | | | | | |
| cash provided (used) by operating activities: Depreciation | 167 212 | | (1.(0)) | | 229.019 | 127 166 |
| • | 167,312 | | 61,606 | | 228,918 | 137,166 |
| Changes in assets and liabilities: Accounts Receivable | (11,698) | | 60,277 | | 48,579 | |
| Prepaid items | (11,098) | | 30 | | (36) | (19) |
| Materials and supplies inventory | 1,445 | | (183) | | 1,262 | (4,046) |
| Accounts payable | (7,959) | | 214,407 | | 206,448 | 124 |
| Contracts payable | (19,267) | | (5,853) | | (25,120) | - |
| Accrued wages | 299 | | 379 | | 678 | 785 |
| Intergovernmental payable | 841 | | (218,049) | | (217,208) | 2,904 |
| Compensated absences payable | 6,554 | | 2,838 | | 9,392 | 1,549 |
| Net cash provided (used) by operating activities | \$ 137,596 | \$ | 61,190 | \$ | 198,786 | \$ (34,470) |

Statement of Assets and Liabilities Agency Fund December 31, 2007

| | Agency Fund | |
|---------------------------------|------------------|--|
| Assets | | |
| Cash in segregated accounts | <u>\$ 14,224</u> | |
| Total assets | 14,224 | |
| Liabilities | | |
| Intergovernmental payable | 7,596 | |
| Deposits held and due to others | 6,628 | |
| Total liabilities | \$ 14,224 | |

Note 1 - Description of the City and Reporting Entity:

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

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

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies:

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

Basis of Presentation

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

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:

<u>General Fund</u> - 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.

<u>Refuse Collection Fund</u> – 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.

<u>Capital Improvement Fund</u> – This fund is used to account for transfers from the General Fund used to fund various approved capital projects.

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.

<u>Enterprise Funds</u> – 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:

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

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

<u>Internal Service Funds</u> – 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.

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 form 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.

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, 2007, but which were levied to finance 2008 operations, have been recorded as deferred revenues. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the City is pooled. Money for all funds, including proprietary funds, is maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pooled bank account is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments are reported at fair value, which is based on quoted market prices. For investments in openend 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, 2007.

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 2007 amounted to \$1,465,292. This amount includes an increase of \$482,365 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."

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, 2007 the amounts reported in the internal balances line item comprises of the allocation of the business-type activities interest in the internal service funds that are included within the governmental activities.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital 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 expended. Interest incurred during the construction of capital assets is also capitalized.

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

| | Governmental <u>Activities</u> | Business-type Activities |
|--------------------------------------|-----------------------------------|-----------------------------|
| 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 water and sewer infrastructure | N/A | 15-50 years |
| Streets | 40-50 years | N/A |
| Alleys | 40-50 years | N/A |
| Culverts | 40-50 years | N/A |
| Storm sewers | 40-50 years | N/A |
| Traffic signals | 20-25 years | N/A |

During 2007 the City added all governmental-activities infrastructure. See Note 3 for the adjustment made to the City's 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.

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. Of the City's \$1,034,527 in restricted net assets, none was restricted by enabling legislation.

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.

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 – Prior Period Adjustment

The City has added all governmental-activity infrastructure acquired after June 30, 1980 as prescribed in GASB Statement 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Infrastructure includes, but is not limited to, streets, alleys, culverts, storm sewers and traffic signals. These assets were estimated at historical cost and are reported net of depreciation. The following summarizes the effect of the prior period adjustment on the City's governmental activities' net assets as of December 31, 2006.

| | Governmental | |
|-------------------------------|---------------|--|
| | Activities | |
| Net Assets, 12/31/2006 | \$ 27,141,915 | |
| Addition of Infrastructure | 19,045,462 | |
| Restated Net Assets, 1/1/2006 | \$ 46,187,377 | |

Note 4 - Budgetary Basis of Accounting:

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements.

| | General | | Refuse | |
|-----------------------------|-----------------|----|-----------|--|
| | Fund | | Fund | |
| GAAP Basis | \$ 3,452,540 | \$ | (20,447) | |
| Revenue Accruals | (736,082) | | 2,225 | |
| Expenditure Accruals | 63,085 | | 122,909 | |
| Encumbrances | (122,971) | | (35,351) | |
| Principal Retirement | (4,800,000) | | - | |
| Transfers | 143,668 | | (107,991) | |
| Proceeds from Sale of Notes | 4,250,000 | | | |
| Budgetary Basis | \$ 2,250,240 | \$ | (38,655) | |

Note 5 - Deposits and Investments:

Policies and Procedures

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

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

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

Deposits

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 \$1,359,751 and the bank balance was \$1,564,998. Of the bank balance, \$253,013 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", \$1,311,985 of the City's bank balance was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name.

Investments

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

| | Investment Maturities (in) | | | | | |
|---------------------------------|-----------------------------|------------|-------------|--------------|---------|-------|
| | | Fair | Less than | One to Five | Five to | Seven |
| Investment Type | | Value | One Year | Years | Ye | ars |
| | | | | | | |
| Federal Home Loan Mortgage Corp | \$ | 3,241,042 | \$ 495,330 | \$ 2,745,712 | \$ | - |
| Federal Home Loan Bank | | 14,760,997 | - | 14,760,997 | | - |
| STAR Ohio | | 2,499,426 | 2,499,426 | | | - |
| Total | \$ | 20,501,465 | \$2,994,756 | \$17,506,709 | \$ | - |

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

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

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

| Investment | Percent |
|---------------------------------|---------|
| Federal Home Loan Mortgage Corp | 15.81% |
| Federal Home Loan Bank | 72.00% |
| STAR Ohio | 12.19% |

Note 6 – Receivables:

Receivables at December 31, 2007 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 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2006 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2007 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. 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, 2007 was \$11.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

| Real Property Tax Assessed Valuation | \$311,998,610 |
|--|-----------------------|
| Public Utility Tangible Personal Property Assessed Valuation | 1,424,600 |
| Tangible Personal Property Assessed Valuation | 1,250,726 |
| Total | \$ <u>314,673,936</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, 2007, 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 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Tax

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

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

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

Due from Other Governments

A summary of the governmental activities intergovernmental receivables follows:

| Governmental Activities: | |
|--------------------------------------|---------------|
| Local government assistance | \$ 131,358 |
| Estate Share Taxes | 76,814 |
| Homestead/Rollback | 110,837 |
| Gasoline tax | 157,890 |
| Motor vehicle license fees | 25,728 |
| Permissive motor vehicle license tax | 22,956 |
| Issue II | 150,000 |
| Total | \$ 675,583 |

Note 7 – Capital Assets:

Capital asset activity for the year ended December 31, 2007 was as follows:

| | Restated | | | |
|---------------------------------|---------------|-------------|---|---------------|
| | (See Note 3) | | | |
| | Balance | | | Balance |
| | 12/31/06 | Additions | Deletions | 12/31/07 |
| Governmental Activities | | | | |
| Non-depreciable capital assets: | | | | |
| Land | \$ 3,859,036 | \$ 510,999 | \$ - | \$ 4,370,035 |
| Construction in Progress | | 231,230 | | 231,230 |
| Non-depreciable capital assets | 3,859,036 | 742,229 | | 4,601,265 |
| Depreciable capital assets: | | | | |
| Buildings | 14,704,048 | 264,819 | - | 14,968,867 |
| Improvements | 1,160,373 | - | - | 1,160,373 |
| Equipment | 1,936,987 | 111,208 | (1,800) | 2,046,395 |
| Vehicles | 2,441,543 | 58,258 | - | 2,499,801 |
| Infrastructure | 29,817,612 | 435,040 | | 30,252,652 |
| Depreciable capital assets: | 50,060,563 | 869,325 | (1,800) | 50,928,088 |
| Less: accumulated depreciation | | | | |
| Buildings | (1,587,318) | (482,205) | - | (2,069,523) |
| Improvements | (1,088,878) | 9,466 | - | (1,079,412) |
| Equipment | (1,415,284) | (199,250) | 1,800 | (1,612,734) |
| Vehicles | (2,053,563) | (132,248) | - | (2,185,811) |
| Infrastructure | (9,075,602) | (733,486) | | (9,809,088) |
| Accumulated depreciation | (15,220,645) | (1,537,723) | * | (16,756,568) |
| Depreciable capital assets, net | 34,839,918 | (668,398) | | 34,171,520 |
| Governmental activities | | | | |
| capital assets, net | \$ 38,698,954 | \$ 73,831 | <u>\$ </u> | \$ 38,772,785 |

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

| General government | \$ 461,203 |
|--|-----------------|
| Security of person & property | 106,774 |
| Community environment | 61,244 |
| Transportation | 34,815 |
| Public Works | 710,293 |
| Leisure time activities | 26,228 |
| Capital assets held by the government's internal | |
| service funds are charged to the various functions | |
| based on their usage of the assets | 137,166 |
| Total depreciation expense - governmental activities | \$ 1,537,723 |

| | Balance 12/31/06 | Additions | Deletions | Balance 12/31/07 |
|---------------------------------|------------------|--------------|-------------|---------------------|
| Business-Type Activities | | | | |
| Non-depreciable capital assets: | | | | |
| Land | \$ 283,820 | \$ - | \$ - | \$ 283,820 |
| Depreciable capital assets: | | | | |
| Buildings | 792,000 | 7,495 | - | 799,495 |
| Improvements | 188,534 | - | - | 188,534 |
| Equipment | 2,526,720 | 18,792 | - | 2,545,512 |
| Vehicles | 374,691 | 16,555 | (9,796) | 381,450 |
| Infrastructure | 4,496,760 | 42,355 | | 4,539,115 |
| Depreciable capital assets: | 8,378,705 | 85,197 | (9,796) | 8,454,106 |
| Less: accumulated depreciation | | | | |
| Buildings | (317,874) | (19,030) | - | (336,904) |
| Improvements | (97,347) | (3,959) | - | (101,306) |
| Equipment | (2,399,334) | (83,884) | - | (2,483,218) |
| Vehicles | (327,341) | (55,179) | 9,796 | (372,724) |
| Infrastructure | (2,717,204) | (66,866) | | (2,784,070) |
| Accumulated depreciation | (5,859,100) | (228,918) | 9,796 | (6,078,222) |
| Depreciable capital assets, net | 2,519,605 | (143,721) | | 2,375,884 |
| Business-type activities | | | | |
| capital assets, net | \$ 2,803,425 | \$ (143,721) | <u>\$ -</u> | \$ 2,659,704 |

Note 8 - Defined Benefit Pension Plans:

Both the Ohio Police and Firemen's Disability and Pension Fund and the Ohio Public Employees Retirement System are reported using GASB Statement No. 27 "*Accounting for Pensions by State and Local Governmental Employers*". Substantially all City employees are covered by one of the two costsharing 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.

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) 222-5601 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, member and contribution rates were consistent across all three plans. The 2007 member contribution rate was 9.5 percent and the City's contribution rate was 13.85 percent of covered payroll. The City's contributions to the plans for the years ending December 31, 2007, 2006, and 2005 were \$501,865, \$471,243, and \$486,739, respectively. Total contributions for 2007 represented 92 percent of required contributions for the year, with 100% being contributed for 2006 and 2005.

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, 2007, 2006 and 2005 were \$512,494, \$479,864 and \$633,241. Total contributions for 2007 represented 72 percent of required contributions for the year, with 100 percent being contributed for 2006 and 2005.

Note 9 - 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, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Governmental Employers" and GASB 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension." 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 2007 the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively.

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, 2006, 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 6.3 percent for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at four (4) percent.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants was 374,979 as of December 31, 2007 and the number of active contributing participants used for both plans in the December 31, 2006 actuarial valuation was 362,130. The City's actual contributions for 2007 which were used to fund postemployment benefits were \$199,297. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed 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.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12* and *GASB Statement 45*. 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 6.75 percent of covered payroll was applied to the postemployment health care program during 2007. 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 2007 that were used to fund postemployment benefits were \$160,770. The OP&F's total health care expense for the year ended December 31, 2006, (the date of the the last actuarial valuation) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 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 \$419,285 at December 31, 2007.

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 \$273,168 at December 31, 2007.

Note 10- Risk Management:

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2007, 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:

| Type of Coverage | Per Occurrence | Deductible |
|--------------------|----------------|-------------------|
| 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.

Note 11 - Long-Term Obligations:

A schedule of changes in long-term obligations of the City during 2007, follows:

| | Amount Outstanding 12/31/2006 | Additions | Deletions | Amount Outstanding 12/31/2007 | Amounts Due within One Year |
|----------------------------------|-------------------------------------|------------|------------|-------------------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Police and Fire Pension | \$ 590,109 | \$ - | \$ 10,977 | \$ 579,132 | \$ 11,449 |
| Compensated Absences Payable | 548,870 | 636,115 | 548,870 | 636,115 | 96,888 |
| Total Governmental Activities | \$ 1,138,979 | \$ 636,115 | \$ 559,847 | \$ 1,215,247 | \$ 108,337 |
| Business-Type Activities: | | | | | |
| OWDA Loan Payable | \$ 245,658 | \$ - | \$ 25,859 | \$ 219,799 | \$ 25,859 |
| Compensated Absences Payable | 46,946 | 56,338 | 46,946 | 56,338 | 11,267 |
| Total Business-Type Activities | \$ 292,604 | \$ 56,338 | \$ 72,805 | \$ 276,137 | \$ 37,126 |

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, 2007, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$28.8 million.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2007 were:

| Year Ending | Police and F | Fire Pension | OWDA Loan Payable | | |
|--------------|--------------|--------------|-------------------|-------------|--|
| December 31, | Principal | Interest | Principal | Interest | |
| 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 | 13,546 | 22,395 | 25,859 | - | |
| 2013-2017 | 76,973 | 102,734 | 90,505 | - | |
| 2018-2022 | 94,986 | 84,721 | - | - | |
| 2023-2027 | 117,214 | 62,493 | - | - | |
| 2028-2032 | 144,644 | 35,063 | - | - | |
| 2033-2035 | 82,941 | 5,294 | | | |
| Total | \$ 579,132 | \$ 407,634 | \$ 219,799 | <u>\$</u> - | |

Note 12 - Short-Term Obligations:

A summary of the short-term note transactions for the year ended December 31, 2007 follows:

| | Balance December 31, 2006 | Increase | Decrease | Balance December 31, 2007 |
|--------------------------------------|---------------------------------|-------------|--------------|---------------------------------|
| General Fund: | | | | |
| 2006 Capital Facilities Note - 4.50% | \$ 2,500,000 | \$ - | \$ 2,500,000 | \$ - |
| 2006 Land Acquisition Note - 4.25% | 2,300,000 | - | 2,300,000 | - |
| 2007 Capital Facilities Note - 4.0% | | 2,150,000 | | 2,150,000 |
| 2007 Land Acquisition Notes - 3.6% | | 2,100,000 | | 2,100,000 |
| | \$ <u>4,800,000</u> | \$4,250,000 | \$4,800,000 | \$4,250,000 |

During 2007, the City issued \$2.15 million in Capital Facilities Notes and \$2.1 million in Land Acquisition Notes that will mature on March 13, 2008. The proceeds of these notes were used to pay the debt service on \$2.5 million of 2006 Capital Facilities Notes and \$2.3 million of 2006 Land Acquisition Notes that matured during the year. These notes were originally issued to provide financing for the construction of a new Public Works facility and the acquisition of land 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.

Note 13 – Transfers:

The following is a summary of transfers in and out for all funds in 2007:

| Fund | Transfers-In | Tran | Transfers-Out | |
|------------------------------|--------------|------|---------------|--|
| General Fund | \$- | \$ | 8,131,435 | |
| Refuse Collection Fund | 875,000 | | - | |
| Capital Improvement Fund | 4,696,000 | | - | |
| Non-major Governmental Funds | 2,560,435 | _ | - | |
| Total Transfers | \$ 8,131,435 | \$ | 8,131,435 | |

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

Note 14 - Contingent Liabilities:

Litigation

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

Federal and State Grants

For the period January 1, 2007 to December 31, 2007 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

Yellow Book Report

December 31, 2007



8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760 ONE PRESTIGE PLACE, SUITE 520 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakwood (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. These items are identified in the accompanying schedule of findings as items 2007-001 and 2007-2.

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. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 certain matters that we reported to management of the City in a separate letter dated June 13, 2008.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc. June 13, 2008

PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS



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CITY OF OAKWOOD Schedule of Findings and Responses Year Ended December 31, 2007

2007-001 - Significant Deficiencies Related to the Financial Statements:

During the course of the audit, misstatements were identified related to the following:

- Accrued interest payable from prior year not reversed.
- Tax refund liability not recorded.
- Intergovernmental payable from prior year not reversed.
- Accounts payable not recorded.
- Unbilled water and sewer accounts receivable improperly recorded.
- Invested in capital assets net of related debt improperly recorded.
- Capital Improvement Fund was not properly classified as a major fund.

The accompanying financial statements were adjusted to reflect correction of material, and certain immaterial, misstatements. Correction of other immaterial misstatements were waived. The City should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Management Response:

Procedures will be modified to assure proper recording.

2007-002 – Significant Deficiencies relating to Internal Control Procedures in the Utility Department

Segregation of Duties

The Utilities Clerk is the primary person who opens mail, processes the utility payments, designates the amounts to be posted to customer accounts and prepares the daily deposits. She processes and posts adjustments and prepares the monthly adjustment reports. The inadequate segregation of duties weakens the controls over cash collections. We recommend that the City implement procedures to adequately segregate duties in the Utility Division. Separate individuals should open the mail, make the deposits, and post payments/adjustments to the utility billing system. Segregation of duties is a key element of any effective internal control system. One employee involved in all functions of the receipt process increases the likelihood that errors or irregularities may occur and not be detected in a timely manner by management.

Account Adjustments

The City does not have written procedures for processing adjustments to customer accounts. Utilities Adjustment Forms are not used and adjustments to customer accounts are not reviewed or approved by a supervisor. We recommend that the City develop specific, written procedures for making adjustments to customer utility accounts. Proper documentation supporting the reason for the adjustment should be attached to all Utilities Adjustment Forms. When possible, customers should be required to submit signed, written requests for adjustments to their accounts. Lack of supporting documentation increases the risk that improper adjustments may be used to divert receipts. All individual adjustment sheets should be reviewed and approved by a supervisor.

Management Response:

The City will make efforts to improve internal control in the Utility Department.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc. June 13, 2008





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 Babbett

CLERK OF THE BUREAU

CERTIFIED JULY 29, 2008

> 88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506 Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490 www.auditor.state.oh.us