

VILLAGE OF OAKWOOD, OHIO

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of Oakwood
24800 Broadway Avenue
Oakwood Village, Ohio 44146

We have reviewed the *Independent Auditor's Report* of the Village of Oakwood, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Village of Oakwood is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 30, 2007

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**VILLAGE OF OAKWOOD, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Village Council
Village of Oakwood

The Honorable Mary Taylor
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the Village of Oakwood, Ohio for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing 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.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statements presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds and accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or their changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 25, 2007

VILLAGE OF OAKWOOD, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts					
Property and Local Taxes	\$ 4,018,478	\$ 104,528	\$ 44,618	\$ 0	\$ 4,167,624
Intergovernmental Revenues	324,979	492,940	0	0	817,919
Special Assessments	0	0	147,626	0	147,626
Charges for Services	335,708	246,762	0	0	582,470
Fines, Licenses, and Permits	408,474	18,316	0	0	426,790
Miscellaneous	254,119	27,447	0	0	281,566
Total Receipts	<u>5,341,758</u>	<u>889,993</u>	<u>192,244</u>	<u>0</u>	<u>6,423,995</u>
Disbursements					
Security of Persons and Property	2,175,587	396,835	0	0	2,572,422
Public Health Services	0	1,165	0	0	1,165
Leisure Time Activities	0	170,246	0	0	170,246
Community Environment	197,822	0	0	40,959	238,781
Basic Utility Services	198,448	0	0	0	198,448
Transportation	23,967	835,541	0	0	859,508
General Government	888,827	9,553	0	0	898,380
Debt Service:					
Principal Retirement	0	0	2,406,000	0	2,406,000
Interest and Fiscal Charges	0	0	366,505	0	366,505
Total Disbursements	<u>3,484,651</u>	<u>1,413,340</u>	<u>2,772,505</u>	<u>40,959</u>	<u>7,711,455</u>
Total Receipts Over (Under) Disbursements	<u>1,857,107</u>	<u>(523,347)</u>	<u>(2,580,261)</u>	<u>(40,959)</u>	<u>(1,287,460)</u>
Other Financing Sources (Uses)					
Operating Transfers - In	0	192,044	1,830,598	29,000	2,051,642
Operating Transfers - Out	(468,000)	(1,029,477)	0	0	(1,497,477)
Proceeds from Sale of Debt	0	1,055,835	796,000	0	1,851,835
Proceeds from Sale of Capital Assets	2,500	0	0	0	2,500
Other Sources (Uses)	(1,106,715)	19,714	0	0	(1,087,001)
Total Other Financing Sources (Uses)	<u>(1,572,215)</u>	<u>238,116</u>	<u>2,626,598</u>	<u>29,000</u>	<u>1,321,499</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	284,892	(285,231)	46,337	(11,959)	34,039
Beginning Fund Cash Balance	<u>680,051</u>	<u>567,320</u>	<u>5,023</u>	<u>12,688</u>	<u>1,265,082</u>
Ending Fund Cash Balance	<u>\$ 964,943</u>	<u>\$ 282,089</u>	<u>\$ 51,360</u>	<u>\$ 729</u>	<u>\$ 1,299,121</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<u>Operating Revenues</u>			
Charges for Services	\$ 80,337	\$ 289,613	\$ 369,950
Fines, Licenses and Permits	<u>0</u>	<u>348,286</u>	<u>348,286</u>
Total Operating Revenues	<u>80,337</u>	<u>637,899</u>	<u>718,236</u>
<u>Operating Expenses</u>			
Contractual Services	184,809	343,565	528,374
Personal Services	79,438	0	79,438
Material and Supplies	<u>21,722</u>	<u>0</u>	<u>21,722</u>
Total Operating Expenses	<u>285,969</u>	<u>343,565</u>	<u>629,534</u>
Total Operating Income (Loss)	<u>(205,632)</u>	<u>294,334</u>	<u>88,702</u>
<u>Non-Operating Revenues (Expenses)</u>			
Other Non-Operating Expenses	0	(257,120)	(257,120)
Debt Proceeds	554,165	0	544,165
Transfer-Out	<u>(554,165)</u>	<u>0</u>	<u>(544,165)</u>
Total Non-Operating Revenue (Expenses)	<u>0</u>	<u>(257,120)</u>	<u>(257,120)</u>
Net Revenues Over (Under) Expenses	(205,632)	37,214	(168,418)
Beginning Cash Balance	<u>334,422</u>	<u>634,497</u>	<u>968,919</u>
Ending Cash Balance	<u>\$ 128,790</u>	<u>\$ 671,711</u>	<u>\$ 800,501</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OAKWOOD, OHIO
 COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental:			
General Fund	\$ 5,353,582	\$ 5,344,258	\$ (9,324)
Special Revenue Funds	2,177,960	2,157,586	(20,374)
Debt Service Fund	2,818,842	2,818,842	0
Capital Project Funds	29,000	29,000	0
Proprietary:			
Enterprise Funds	<u>687,314</u>	<u>634,502</u>	<u>(52,812)</u>
Total (Memorandum Only)	<u>\$11,066,698</u>	<u>\$10,984,188</u>	<u>\$ (82,510)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
COMBINED STATEMENT OF DISBURSEMENT AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types/Funds	Prior Year Carryover Encumbrances	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:							
General Fund	\$ 32,927	\$ 5,332,664	\$ 5,365,591	\$ 5,059,366	\$ 22,970	\$ 5,082,336	\$ 283,255
Special Revenue Funds	20,374	2,645,577	2,665,951	2,442,817	66,676	2,509,493	156,458
Debt Service Fund	0	2,777,822	2,777,822	2,772,505	0	2,772,505	5,317
Capital Projects Funds	0	41,000	41,000	40,959	0	40,959	41
Proprietary:							
Enterprise	<u>52,813</u>	<u>844,706</u>	<u>897,519</u>	<u>840,134</u>	<u>7,583</u>	<u>847,717</u>	<u>49,802</u>
Total (Memorandum Only)	<u>\$ 106,114</u>	<u>\$ 11,641,769</u>	<u>\$ 11,747,883</u>	<u>\$ 11,155,781</u>	<u>\$ 97,229</u>	<u>\$ 11,253,010</u>	<u>\$ 494,873</u>

The accompanying notes are in integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Receipts					
Property and Local Taxes	\$ 3,780,094	\$ 99,510	\$ 43,291	\$ 0	\$ 3,922,895
Intergovernmental Revenues	267,196	520,211	0	0	787,407
Special Assessments	0	0	98,947	0	98,947
Charges for Services	334,301	256,926	0	0	591,227
Fines, Licenses, and Permits	318,489	14,445	0	0	332,934
Miscellaneous	220,341	51,825	20,927	0	293,093
Total Receipts	<u>4,920,421</u>	<u>942,917</u>	<u>163,165</u>	<u>0</u>	<u>6,026,503</u>
Disbursements					
Security of Persons and Property	2,038,624	343,480	0	0	2,382,104
Public Health Services	0	837	0	0	837
Leisure Time Activities	0	141,564	0	0	141,564
Community Environment	174,562	48,678	0	10,079	233,319
Basic Utility Services	206,969	0	0	0	206,969
Transportation	51,328	1,968,475	0	0	2,019,803
General Government	891,695	2,121	0	0	893,816
Debt Service:					
Principal Retirement	0	0	2,375,000	0	2,375,000
Interest and Fiscal Charges	0	0	362,645	0	362,645
Total Disbursements	<u>3,363,178</u>	<u>2,505,155</u>	<u>2,737,645</u>	<u>10,079</u>	<u>8,616,057</u>
Total Receipts Over (Under)					
Disbursements	<u>1,557,243</u>	<u>(1,562,238)</u>	<u>(2,574,480)</u>	<u>(10,079)</u>	<u>(2,589,554)</u>
Other Financing Sources (Uses)					
Operating Transfers - In	0	192,175	1,812,102	0	2,004,277
Operating Transfers - Out	(243,330)	(1,206,782)	0	0	(1,450,112)
Proceeds from Sale of Debt	0	1,055,835	765,000	0	1,820,835
Proceeds from Sale of Capital Assets	600	0	0	0	600
Other Sources (Uses)	<u>(1,081,569)</u>	<u>0</u>	<u>220</u>	<u>0</u>	<u>(1,081,349)</u>
Total Other Financing Sources (Uses)	<u>(1,324,299)</u>	<u>41,228</u>	<u>2,577,322</u>	<u>0</u>	<u>1,294,251</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	232,944	(1,521,010)	2,842	(10,079)	(1,295,303)
Beginning Fund Cash Balance, Restated	<u>447,107</u>	<u>2,088,330</u>	<u>2,181</u>	<u>22,767</u>	<u>2,560,385</u>
Ending Fund Cash Balance	<u>\$ 680,051</u>	<u>\$ 567,320</u>	<u>\$ 5,023</u>	<u>\$ 12,688</u>	<u>\$ 1,265,082</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<u>Operating Revenues</u>			
Charges for Services	\$ 72,010	\$ 210,117	\$ 282,127
Fines, Licences and Permits	<u>0</u>	<u>307,882</u>	<u>307,882</u>
Total Operating Revenues	<u>72,010</u>	<u>517,999</u>	<u>590,009</u>
<u>Operating Expenses</u>			
Contractual Services	308,094	305,520	613,614
Material and Supplies	<u>13,780</u>	<u>0</u>	<u>13,780</u>
Total Operating Expenses	<u>321,874</u>	<u>305,520</u>	<u>627,394</u>
Total Operating Income (Loss)	<u>(249,864)</u>	<u>212,479</u>	<u>(37,385)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Other Non-Operating Expenses	0	(164,834)	(164,834)
Debt Proceeds	554,165	0	544,165
Transfer-Out	<u>(554,165)</u>	<u>0</u>	<u>(544,165)</u>
Total Non-Operating Revenue (Expenses)	<u>0</u>	<u>(164,834)</u>	<u>(164,834)</u>
Net Revenues Over (Under) Expenses	(249,864)	47,645	(202,219)
Beginning Cash Balance	<u>584,286</u>	<u>586,852</u>	<u>1,171,138</u>
Ending Cash Balance	<u>\$ 334,422</u>	<u>\$ 634,497</u>	<u>\$ 968,919</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OAKWOOD, OHIO
 COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental:			
General Fund	\$ 4,937,691	\$ 4,921,177	\$ (16,514)
Special Revenue Funds	2,282,246	2,190,927	(91,319)
Debt Service Fund	2,740,488	2,740,487	(1)
Capital Project Funds	12,011	0	(12,011)
Proprietary:			
Enterprise Funds	<u>626,176</u>	<u>626,175</u>	<u>(1)</u>
Total (Memorandum Only)	<u>\$10,598,612</u>	<u>\$10,478,766</u>	<u>\$ (119,846)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types/Funds	Carryover Encumbrances	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:							
General Fund	\$ 38,344	\$ 4,999,506	\$ 5,037,850	\$ 4,688,077	\$ 32,927	\$ 4,721,004	\$ 316,846
Special Revenue Funds	64,860	4,240,670	4,305,530	3,711,937	20,374	3,732,311	573,219
Debt Service Fund	0	2,737,648	2,737,648	2,737,645	0	2,737,645	3
Capital Projects Funds	7,597	10,000	17,597	10,079	0	10,079	7,518
Proprietary:							
Enterprise	343	1,210,454	1,210,797	876,039	52,813	928,852	281,945
Total (Memorandum Only)	<u>\$ 111,144</u>	<u>\$ 13,198,278</u>	<u>\$ 13,309,422</u>	<u>\$ 12,023,777</u>	<u>\$ 106,114</u>	<u>\$ 12,129,891</u>	<u>\$ 1,179,531</u>

The accompanying notes are in integral part of these financial statements.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Description of the Entity**

The Village is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: public safety and public services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. **Basis of Accounting**

The Village prepares its financial statements on a basis of accounting or permitted by the Auditor of State; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded in the financial statements by the Village under the basis of accounting used. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations.

C. **Investments and Inactive Funds**

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest is recognized and recorded when received.

D. **Fund Accounting**

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Fund Accounting** (Continued)

Governmental Funds

General Fund The general fund is the operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Fund To account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specific purposes.

Debt Service Fund To account for the accumulation of resources for, and the payment of, general long term and special assessment debt principal and interest.

Capital Projects Fund To account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Fund To account for the Village's water and sewer operation. It is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Agency Funds To account for assets held by the Village as an agent for individuals, private organizations, other governmental units, and/or other funds.

E. **Budgetary Process**

1. **Budget**

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Budgetary Process** (Continued)

2. **Estimated Resources**

The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown on the accompanying financial statements do not include January 1, 2006 and 2005 unencumbered fund balances. However, those fund balances are available for appropriations.

3. **Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. **Encumbrances**

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. At the close of each fiscal year, encumbered appropriation balances lapse and are reappropriated the subsequent fiscal year.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. Property, Plant and Equipment

Capital assets acquired or constructed for general government service are recorded as expenditures. Depreciation is not recorded for those capital assets.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents, and investments. In addition, investments are separately held by a number of individual funds. Statutes require the reclassification of funds held by the Village into three categories.

“Active” funds are those funds required to be kept in “cash” or “near cash” status for immediate use by the Village. Such funds must be maintained either as cash in the Village Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

“Inactive” funds are those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to, passbook accounts.

“Interim” funds are those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies may be deposited or invested in the following securities:

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENT (Continued)

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. No-load money market mutual funds consisting exclusively of obligations described in the first two sections and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAROhio); and
8. Banker's acceptances and commercial paper, if training requirements have been met.

Investments is stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 2: **CASH, CASH EQUIVALENTS, AND INVESTMENT** (Continued)

Cash on Hand

At December 31, 2006, the Village had \$600 which is held as petty cash.

Deposits

Custodial credit is the risk that, in the event of a bank failure, the Village's deposits or collateral securities may not be returned. The Village's policy is to place deposits with major local banks approved by the Village Council. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Village.

At December 31, 2006, the carrying amount of the Village deposits was \$(35,375) and the bank balance was \$146,507. The 2006 bank balance was covered in full by the Federal Depository Insurance. At December 31, 2005, the carrying amount of the Village's deposits was \$4,001 and the bank balance was \$133,325. The 2005 bank balance was covered in full by the Federal Depository Insurance. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero balance" nature of the Village's bank accounts. The bank balance was fully insured as of December 31, 2006.

Investments

The Village has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Village follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. All investments are in an internal investment pool.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 2: **CASH, CASH EQUIVALENTS, AND INVESTMENT** (Continued)

Investments (Continued)

The Village's investments are detailed below by type and are categorized to give an indication of the level of risk assumed as of year-end.

	2005		
Description	Risk Category 2	Carrying Amount	Fair Value
Repurchase Agreement	<u>\$ 2,230,000</u>	<u>\$ 2,230,000</u>	<u>\$ 2,230,000</u>
	2006		
Description	Risk Category 2	Carrying Amount	Fair Value
Repurchase Agreement	<u>\$ 2,135,000</u>	<u>\$ 2,135,000</u>	<u>\$ 2,135,000</u>

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Village's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risk of the Village's investments are in the table below. The credit ratings were provided from Moody's and Standard and Poor's. The Village has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment custodial credit risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by a third party custodian designated by the Finance Director. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

Concentration of Credit Risk

Safety of principal is the foremost objective of the Village's investment program. Investments of the Village's shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed income generated from the remainder of the portfolio.

NOTE 4: **RESTATEMENT OF PRIOR YEAR GENERAL FUND BALANCE**

It was determined that cash was overstated in 2004. Correction of this item had the following effect on fund balance of the general fund of the Village that was previously reported.

	<u>General</u>
Fund Balance, December 31, 2004	\$ 452,759
Overstatement	(5,652)
Restated Fund Balance, December 31, 2004	<u>\$ 447,107</u>

NOTE 5: **PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1994. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 5: **PROPERTY TAX** (Continued)

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 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Oakwood. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$11.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Category</u>	2006 Assessed Value	2005 Assessed Value
Real Estate	\$ 99,244,230	\$ 98,706,090
Public Utility	3,405,240	3,674,590
Tangible Personal	<u>19,404,765</u>	<u>20,128,524</u>
Total Valuation	<u>\$122,054,235</u>	<u>\$122,509,204</u>

NOTE 6: **LOCAL INCOME TAX**

This locally levied tax of two percent (2%) is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of Oakwood and to earnings of non-residents (except certain transients) earned in the Village. It also applies to net income of business organizations conducted with the Village of Oakwood. Tax receipts are credited to the General Fund and amounted to \$3,592,065 in 2006 and \$3,388,129 in 2005.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 7: OUTSTANDING DEBT

A. Note Debt

Note debt at December 31, 2005 consisted of the following:

<u>General Obligation Notes</u>	<u>Balance at</u> <u>12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/05</u>
Broad/Oaks Project	\$ 763,000	\$ 765,000	\$ 763,000	\$ 765,000
Richmond Road Bikeway Project	<u>1,610,000</u>	<u>1,610,000</u>	<u>1,610,000</u>	<u>1,610,000</u>
Total General Obligation Notes	<u>\$ 2,373,000</u>	<u>\$ 2,375,000</u>	<u>\$ 2,373,000</u>	<u>\$ 2,375,000</u>

Note debt at December 31, 2006 consisted of the following:

<u>General Obligation Notes</u>	<u>Balance at</u> <u>12/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/06</u>
Broad/Oaks Project	\$ 765,000	\$ 796,000	\$ 765,000	\$ 796,000
Richmond Road Bikeway Project	<u>1,610,000</u>	<u>1,610,000</u>	<u>1,610,000</u>	<u>1,610,000</u>
Total General Obligation Notes	<u>\$ 2,375,000</u>	<u>\$ 2,406,000</u>	<u>\$ 2,375,000</u>	<u>\$ 2,406,000</u>

B. Bonded Debt

Bonded debt at December 31, 2005 consisted of the following:

<u>General Obligation Bonds</u>	<u>Balance at</u> <u>12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/05</u>
Street Improvement, 1990 (7.35%)	\$ 3,309	\$ 0	\$ 523	\$ 2,786
Various Purpose Water, 1996 (6.60%)	53,724	0	2,686	51,038
Various Purpose Sewer, 1996 (6.60%)	202,446	0	12,922	189,524
Various Purpose, 2004 (4.00% - 5.50%)	1,995,000	0	65,000	1,930,000
<u>Special Assessment Bonds</u>				
Street Improvement, 1990 (7.375%)	53,691	0	8,477	45,214
Various Purpose Water, 1996 (6.60%)	46,276	0	2,314	43,962
Street Improvement, 1996 (6.60%)	267,554	0	17,078	250,476
Street Improvement, 2003 (2.5% - 5.5%)	<u>665,000</u>	<u>0</u>	<u>25,000</u>	<u>640,000</u>
Total	<u>\$ 3,287,000</u>	<u>\$ 0</u>	<u>\$ 134,000</u>	<u>\$ 3,153,000</u>

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 7: **OUTSTANDING DEBT** (Continued)

B. Bonded Debt (Continued)

Bonded debt at December 31, 2006 consisted of the following:

<u>General Obligation Bonds</u>	<u>Balance at</u> 12/31/05	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 12/31/06
Street Improvement, 1990 (7.35%)	\$ 2,786	\$ 0	\$ 523	\$ 2,263
Various Purpose Water, 1996 (6.60%)	51,038	0	2,686	48,352
Various Purpose Sewer, 1996 (6.60%)	189,524	0	12,922	176,602
Various Purpose, 2004 (4.00% - 5.50%)	1,930,000	0	65,000	1,865,000
<u>Special Assessment Bonds</u>				
Street Improvement, 1990 (7.375%)	45,214	0	8,477	36,737
Various Purpose Water, 1996 (6.60%)	43,962	0	2,314	41,648
Street Improvement, 1996 (6.60%)	250,476	0	17,078	233,398
Street Improvement, 2003 (2.5% - 5.5%)	640,000	0	25,000	615,000
Total	<u>\$ 3,153,000</u>	<u>\$ 0</u>	<u>\$ 134,000</u>	<u>\$ 3,019,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2006, including interest payments of \$1,586,677 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Bonds</u>
2007	\$ 297,232
2008	296,834
2009	295,031
2010	302,654
2011	289,546
2012-2016	1,442,455
2017-2021	1,084,450
2022-2024	597,475
	<u>\$ 4,605,677</u>

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 8: INSURANCE AND RISK MANAGEMENT

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80 percent coinsured.

The Village has established a formal self-insurance program for liabilities arising from employee health and life benefits. This exposure is accounted for the general fund which is responsible for collecting interfund premiums from other Village funds and departments, paying claim settlements and purchasing other specified insurance policies. Reinsurance for any individual loss over \$10,000 is covered by Benefit Services Inc.

NOTE 9: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All Village full-time employees, other than non-administrative full-time police officers and firefighters, contribute to the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

1. The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
2. The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 9: **DEFINED BENEFIT PENSION PLAN** (Continued)

A. Public Employees Retirement System (Continued)

3. The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan 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 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) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006 and 2005, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Separate divisions for law enforcement and public safety exist only within the traditional plan. Village employees are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The 2006 and 2005 employer contribution rate for the Village was 13.55 percent of covered payroll. The Village's contributions to the OPERS for the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were \$213,106, \$196,666, and \$196,184, respectively.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 9: **DEFINED BENEFIT PENSION PLAN** (Continued)

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The Village of Oakwood contributions to OP&F for the years ending December 31, 2006, 2005, and 2004 were \$138,651, \$126,161 and \$131,063 respectively, equal required contributions for each year.

NOTE 10: **POST-EMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is also available. The health care coverage provided by the retirement systems is considered in Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. During 2006 and 2005, the employer contribution rate was 13.55 percent. The portion that was used to fund health care benefits in 2006 and 2005 was 5 percent and 5 percent, respectively.

For 2006:

The actuarially accrued postretirement health care liability for OPERS at December 31, 2006 was \$31.3 billion. The net assets were \$11.1 billion, leaving an unfounded actuarial accrued liability of \$20.2 billion. The number of active contributing participants was 369,214. The Village's actual contributions for 2006 which were used to fund postemployment benefits, were \$74,455.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 10: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

For 2005:

The actuarially accrued postretirement health care liability for OPERS at December 31, 2004 was \$29.5 billion. The net assets were \$10.8 billion, leaving an unfounded actuarial accrued liability of \$18.7 billion. The number of active contributing participants was 376,109. The Village's actual contributions for 2005 which were used to fund postemployment benefits, were \$70,506.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. **Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 10: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Ohio Police and Fire Pension Fund

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the health costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police contribution rate is 19.5 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2006 and 2005, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

For 2006:

The number of participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available, was 13,922 for police. The Village's actual contributions for 2006 that were used to fund postemployment benefits were \$48,041 for police. The OP&F's total health care expenses for the year ending December 31, 2005, the date of the latest actuarial valuation available, were \$108,039,449 which was net of member contributions of \$55,271,881.

For 2005:

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, was 13,812 for police. The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$55,133 for police. The OP&F's total health care expenses for the year ending December 31, 2004, the date of the latest actuarial valuation available, were \$102,173,796 which was net of member contributions of \$55,665,341.

VILLAGE OF OAKWOOD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(CONTINUED)

NOTE 11: INTERFUND AND TRANSFERS

As of December 31, 2006, interfund transfers were as follows:

2006		<u>Transfer In</u>	<u>Transfer Out</u>
Fund			
General Fund		\$ 0	\$ 468,000
Special Revenue Fund		192,044	1,029,477
Debt Service Fund		1,830,598	0
Capital Projects		29,000	0
Proprietary		<u>0</u>	<u>554,165</u>
Totals		<u>\$ 2,051,642</u>	<u>\$ 2,051,642</u>

2005		<u>Transfer In</u>	<u>Transfer Out</u>
Fund			
General Fund		\$ 0	\$ 243,330
Special Revenue		192,175	1,206,782
Debt Service		1,812,102	0
Proprietary		<u>0</u>	<u>554,165</u>
Totals		<u>\$ 2,004,277</u>	<u>\$ 2,004,277</u>

Interfund transfers were needed to provide additional resources for current operations.

NOTE: 12 CONTINGENCIES

The Village is currently involved in variety of litigation. It is the opinion of the Village's lawyers that the outcome of these will not have a material effect on the Village's financial position at December 31, 2006 and 2005.

JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

**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**

To the Members of Village Council
Village of Oakwood, Ohio

We have audited the financial statements of the Village of Oakwood, Ohio, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village of Oakwood, Ohio's basic financial statements and have issued our report thereon dated June 25, 2007. We noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Village of Oakwood, Ohio'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 Village of Oakwood, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Oakwood, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Oakwood, Ohio'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 Village of Oakwood, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Village of Oakwood, Ohio's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Oakwood, Ohio'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 the Village of Oakwood, Ohio, in a separate letter dated June 25, 2007.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 25, 2007

**VILLAGE OF OAKWOOD, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005**

The prior audit report, as of December 31, 2004 and 2003, included only management letter recommendations. The Village has attempted to monitor expenditures to ensure that they have been properly encumbered. This management comment will be repeated in the management letter for the current audit.



Mary Taylor, CPA
Auditor of State

VILLAGE OF OAKWOOD

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 13, 2007