



City of Oakwood

Basic Financial Statements
For the Year Ended
December 31, 2008



Mary Taylor, CPA

Auditor of State

Honorable Mayor, City Council
and City Manager
City of Oakwood
30 Park Avenue
Dayton, Ohio 45419

We have reviewed the *Independent Auditor's Report* of the City of Oakwood, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Oakwood is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

June 1, 2009

This Page is Intentionally Left Blank.

City of Oakwood, Ohio

Basic Financial Statements
For the Year Ended December 31, 2008

with

Independent Auditor's Report

Prepared by:

Department of Finance

Cindy S. Stafford, CPA

Director of Finance

CITY OF OAKWOOD, OHIO

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 11
Basic Financial Statements:	
Statement of Net Assets	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Of Governmental Funds to the Statement of Activities.....	17
Statement of Net Assets – Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Assets and Liabilities – Fiduciary Funds	21
Notes to the Basic Financial Statements.....	22 - 44
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Budgetary (Non-GAAP) Basis – General Fund	46
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Budgetary (Non-GAAP) Basis – Refuse Fund.....	47
Notes to the Required Supplementary Information	48 - 49

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, 2008, 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof 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 May 15, 2009, 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 and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
May 15, 2009

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

The discussion and analysis of the City of Oakwood, Ohio's financial performance provides an overall review of the financial activities of the City for the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information, including 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, 2008 are as follows:

- Total net assets decreased slightly by \$452,968, which represents a 0.76 percent decrease from 2007.
- Total net assets of governmental activities also decreased slightly by \$662,691 from those reported at December 31, 2007.
- Governmental activity revenues decreased by \$9.0 million from 2007, primarily the result of less estate tax received in 2008. Governmental activity expenses increased by 3.44%, \$459,032, in 2008.
- The net assets of the City's business-type activities increased by \$209,723 during 2008 compared to the increase of \$123,332 reported in the prior year. A decrease in expenses accounts for this increase.
- The \$6.3 million unreserved, undesignated ending fund balance reported in the General Fund represents 77.2 percent of the total expenditures reported in the General Fund for 2008.

Using this Annual Financial Report

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements provide the next level of detail. For governmental activities, these financial statements tell how services were financed in the short-term as well as the amount of funds available for future spending.

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 2008?" The Statement of Net Assets and the Statement of Activities help to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

most private-sector companies. All current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those net 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. 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, Capital Improvement, Water and Sewer funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

Governmental Funds

Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of the funds, and the balances left at year-end which would be 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

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

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.

Fiduciary Funds

The financial activity of custodial funds, for which the City acts as the fiscal agent, is reported separately in the Statement of 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

For 2008, the City's assets exceeded liabilities by a total of \$59.3 million. This represents a decrease of 0.76% from the prior year and is a result of a combination of a net increase in expenditures of 3% and a decrease in revenues of 2%, excluding the impact of estate tax collections.

Explanations for the significant fluctuations between 2008 and 2007 are as follows:

- Annual estate tax revenue varies dramatically from year to year. The City received \$9.9 million in 2007 and \$1.3 million in 2008.
- Investment earnings decreased 35% as a result of world economic conditions and lower cash balances as a result of capital asset expenditures.
- The City increased its net capital assets by \$2.2 million primarily as a result of the Orchardly Park renovations, Orchard Drive parking lot, and the infrastructure and road work related to the Sugar Camp and Pointe Oakwood project.
- During 2008, the City changed its capitalization policy from \$1,000 to \$5,000 for capital assets. Projects not meeting the new criteria for capitalization increased expenses by \$300,000.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

The following tables provide a summary of the City's net assets and changes in net assets for the year.

TABLE 1
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 21,046,610	\$ 24,802,542	\$ 2,917,992	\$ 2,595,474	\$ 23,964,602	\$ 27,398,016
Capital assets, net	41,022,269	38,772,785	2,584,619	2,659,704	43,606,888	41,432,489
Total assets	<u>62,068,879</u>	<u>63,575,327</u>	<u>5,502,611</u>	<u>5,255,178</u>	<u>67,571,490</u>	<u>68,830,505</u>
Current and other liabilities	6,573,539	7,324,426	336,816	264,793	6,910,355	7,589,219
Long-term liabilities:						
Due within one year	96,731	108,337	35,435	37,126	132,166	145,463
Due in more than one year	1,030,191	1,106,910	206,389	239,011	1,236,580	1,345,921
Total liabilities	<u>7,700,461</u>	<u>8,539,673</u>	<u>578,640</u>	<u>540,930</u>	<u>8,279,101</u>	<u>9,080,603</u>
Net assets:						
Invested in capital assets, net	37,322,269	34,522,785	2,390,678	2,439,905	39,712,947	36,962,690
Restricted	1,410,945	1,034,527	-	-	1,410,945	1,034,527
Unrestricted	15,635,204	19,478,342	2,533,293	2,274,343	18,168,497	21,752,685
Total net assets	<u>\$ 54,368,418</u>	<u>\$ 55,035,654</u>	<u>\$ 4,923,971</u>	<u>\$ 4,714,248</u>	<u>\$ 59,292,389</u>	<u>\$ 59,749,902</u>

TABLE 2
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 1,421,265	\$ 1,386,797	\$ 2,468,918	\$ 2,330,435	\$ 3,890,183	\$ 3,717,232
Operating grants & contributions	12,052	53,829	-	-	12,052	53,829
Capital grants & contributions	175,000	150,000	-	-	175,000	150,000
General revenues:						
Income taxes	5,753,980	5,952,418	-	-	5,753,980	5,952,418
Property taxes	1,866,692	1,891,090	-	-	1,866,692	1,891,090
Unrestricted grants & contributions	2,725,579	11,087,402	-	-	2,725,579	11,087,402
Investment earnings	883,600	1,370,750	66,318	94,542	949,918	1,465,292
Miscellaneous	285,168	282,986	14,940	28,821	300,108	311,807
Total revenues	<u>13,123,336</u>	<u>22,175,272</u>	<u>2,550,176</u>	<u>2,453,798</u>	<u>15,673,512</u>	<u>24,629,070</u>
Program Expenses						
Security of persons and property	5,098,411	4,930,310	-	-	5,098,411	4,930,310
Public health services	94,550	101,379	-	-	94,550	101,379
Leisure time activities	1,063,776	1,012,377	-	-	1,063,776	1,012,377
Community environment	1,991,227	1,787,659	-	-	1,991,227	1,787,659
Transportation	1,017,888	1,032,984	-	-	1,017,888	1,032,984
General government	3,365,267	3,525,701	-	-	3,365,267	3,525,701
Public works	1,028,743	724,276	-	-	1,028,743	724,276
Interest and fiscal charges	126,165	212,309	-	-	126,165	212,309
Water	-	-	977,167	972,362	977,167	972,362
Sewer	-	-	1,363,286	1,358,104	1,363,286	1,358,104
Total expenses	<u>13,786,027</u>	<u>13,326,995</u>	<u>2,340,453</u>	<u>2,330,466</u>	<u>16,126,480</u>	<u>15,657,461</u>
Changes in net assets	<u>(662,691)</u>	<u>8,848,277</u>	<u>209,723</u>	<u>123,332</u>	<u>(452,968)</u>	<u>8,971,609</u>
Beginning net assets	55,031,109	46,187,377	4,714,248	4,590,916	59,745,357	50,778,293
Ending net assets	<u>\$ 54,368,418</u>	<u>\$ 55,035,654</u>	<u>\$ 4,923,971</u>	<u>\$ 4,714,248</u>	<u>\$ 59,292,389</u>	<u>\$ 59,749,902</u>

CITY OF OAKWOOD, OHIO
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended December 31, 2008

Governmental Activities

The City has chosen to use unrestricted cash reserves to cover the shortfall between revenues and expenditures because of the significant amounts of estate tax revenue that have been received in the past. Total unrestricted net assets decreased by approximately \$3.6 million from those reported at December 31, 2007, while investments in capital assets, net of debt increased approximately \$2.75 million.

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

	Total Expense by Function / Program	Percentage of Total Program Expenses	Total Program Revenue	Net Expense of Function	Percentage of Function Financed with General Revenues
<i>Program Expenses</i>					
Security of persons and property	\$ 5,098,411	36.98%	\$ (289,476)	\$ 4,808,935	94.32%
Public health services	94,550	0.69%	(20,130)	74,420	78.71%
Leisure time activities	1,063,776	7.72%	(499,916)	563,860	53.01%
Community environment	1,991,227	14.44%	(299,289)	1,691,938	84.97%
Transportation	1,017,888	7.38%	-	1,017,888	100.00%
General government	3,365,267	24.41%	(324,506)	3,040,761	90.36%
Public works	1,028,743	7.46%	(175,000)	853,743	82.99%
Interest and fiscal charges	126,165	0.92%	-	126,165	100.00%
	<u>\$ 13,786,027</u>	<u>100.00%</u>	<u>\$ (1,608,317)</u>	<u>\$ 12,177,710</u>	<u>88.33%</u>

As indicated by Table 3, the City is spending about half of its resources (50%) on the security of person and property (public safety) and community environment activities. The operation of the public safety department is 36.98% of total program expenses, revenues generated by the public safety department cover only 5.68% of functional expenses. This means that general revenues collected by the City, principally income taxes and property taxes, must cover the remaining 94.32% of expenses reported by the public safety department. 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 legislative, administration and judicial activities, comprise 24.41% 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 47% 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.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

General revenues comprise 88% of the total governmental revenues collected by the City during 2008. Principal components of general revenues; grants and contributions not restricted to specific purposes, including estate taxes (21%) income taxes (44%) and property taxes (14%), are used to furnish the quality of life and services to citizens and businesses to which they have become accustomed.

Business-Type Activities

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

Water – The water department at the City of Oakwood is responsible for the production, 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 produce, treat and distribute the water. The operating income for the water department did not change significantly from the current year compared to the prior year, \$13,469 during 2008 compared to \$135 reported for 2007. At December 31, 2008 the unrestricted net assets represented 153% of the operating expenses reported for 2008.

Sewer – The City's sewer department is responsible for the collection and treatment of wastewater generated throughout the City. Various functions within the sewer department include administration, disposal, and maintaining and upgrading infrastructure used in the collection and disposal of wastewater. The sewer department recognized operating income of \$163,333 during 2008 as compared with an operating loss of \$54,262 reported for 2007. Decreases in expenses contributed to the increase in operating revenue during 2008.

Overall, the City's business-type activities generated \$2.5 million in program revenue during 2008, while program expenses were \$2.3 million. The business-type activities incurred an overall increase in net assets of \$209,723. This increase 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 totaled \$1.7 million at the end of 2008. The amount of unrestricted net assets for business-type activities reported at December 31, 2008 equaled 74% of the total expenses reported for business-type activities for 2008. Management will continue to monitor utility rate 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 \$12.8 million and expenditures of \$16.2 million for 2008. In total, the governmental funds reported a \$3.4 million decrease in total fund balance for the year. In 2007, the fund balance of the City's governmental funds increased by approximately \$8.4 million. Most of the increase reported in 2007 was associated

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

with a significant settlement of estate taxes. The unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year; unreserved fund balance of governmental funds at December 31, 2008 was \$11 million, or 68% of the total expenditures reported for the governmental funds for 2008.

The City's General Fund realized a \$737,469 increase in fund balance during 2008 as compared to the \$3.5 million increase in 2007. The City received a large estate tax settlement in 2007 that was originally recorded in the General Fund, with a significant amount being transferred to the Capital Improvement Fund. Annually, the General Fund transfers amounts to other funds to cover recreation, street maintenance, state highway and other programs. These transfers also pay for capital improvement projects and construction of capital assets. In 2008, the General Fund transferred over \$2 million to other funds.

Explanation of the changes in the two 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. Within each departmental budget, a department head, with the City Manager's approval, may make small line 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 \$10 million as compared to the actual revenues received of \$11 million. The City's additional revenues received were from the following:

- Intergovernmental revenues, primarily estate taxes were approximately \$394,000 more than was budgeted,
- Investment revenues were approximately \$350,000 more than budget,
- Income taxes received were approximately \$286,000 higher than budget.

The budgeted expenditures of the City did not change from the original budget to the final budget and actual expenditures varied by only \$28,589 from budgeted expenditures. For the year ended December 31, 2008 the total actual budgetary change in fund balance for the General Fund was an increase of \$480,646 resulting in a reported \$9.7 million ending budgetary fund balance. The ending budgetary fund balance or unencumbered fund balance reported at the end of the year was 78% of the total budgetary expenditures of the General Fund for 2008.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

Capital Assets

At the end of 2008, the City had a total of \$67.7 million invested in capital assets less accumulated depreciation of \$24.1 million resulting in total capital assets, net of accumulated depreciation of \$43.6 million.

During 2008, the major asset additions were as follows:

- \$2.3 million of continuing work on the infrastructure for the Sugar Camp/ Pointe Oakwood project, including the Far Hills Avenue road work, all of which is included in construction in progress
- Orchardly Park renovations of approximately \$714,000
- Orchard Drive Parking Lot renovations of approximately \$223,000
- Refuse packer purchase of approximately \$305,000

Table 4 shows 2008 capital asset balances compared to those of 2007:

TABLE 4
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 4,370,035	\$ 4,370,035	\$ 283,820	\$ 283,820	\$ 4,653,855	\$ 4,653,855
Buildings	12,356,442	12,899,344	443,416	455,096	12,799,858	13,354,440
Land Improvements	955,140	80,961	82,225	103,338	1,037,365	184,299
Equipment	337,908	433,661	54,658	53,679	392,566	487,340
Vehicles	488,201	313,990	30,954	8,726	519,155	322,716
Infrastructure	19,961,457	20,443,564	1,689,546	1,755,045	21,651,003	22,198,609
Construction in progress	2,553,086	231,230	-	-	2,553,086	231,230
Total	<u>\$ 41,022,269</u>	<u>\$ 38,772,785</u>	<u>\$ 2,584,619</u>	<u>\$ 2,659,704</u>	<u>\$ 43,606,888</u>	<u>\$ 41,432,489</u>

Additional information on the City's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration

At December 31, 2008, the City had a total of approximately \$4.5 million of short and long-term debt obligations compared with approximately \$5.0 million reported at December 31, 2007.

Governmental debt obligations include \$3,700,000 in capital facility improvement and land acquisition notes and a \$567,682 police and fire pension liability.

CITY OF OAKWOOD, OHIO
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2008

The \$193,942 Ohio Public Works Commission (OPWC) loan reported in the City's sewer fund was reduced by \$25,859 from the \$219,801 reported on December 31, 2007. 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, 2008, the City's overall legal debt margin was \$33 million and the unvoted debt margin was \$17 million. See Note 7 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. If you have questions or need additional financial information, please contact Cindy Stafford, Director of Finance, City of Oakwood, 30 Park Avenue, Dayton, Ohio 45419 or call (937)298-0402.

CITY OF OAKWOOD, OHIO

Statement of Net Assets

December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 16,956,161	\$ 1,495,364	\$ 18,451,525
Cash in segregated accounts	11,718	-	11,718
Receivables:			
Property taxes	1,418,162	-	1,418,162
Income taxes	2,214,717	-	2,214,717
Accounts	101,171	498,088	599,259
Special assessments	138,680	64,066	202,746
Interest	153,780	11,450	165,230
Intergovernmental	681,571	-	681,571
Prepaid expenses	28,565	2,968	31,533
Internal balances	(817,939)	817,939	-
Inventory	160,024	28,117	188,141
Nondepreciable capital assets	6,923,121	283,820	7,206,941
Depreciable capital assets (net of accumulated depreciation)	34,099,148	2,300,799	36,399,947
Total assets	\$ 62,068,879	\$ 5,502,611	\$ 67,571,490
Liabilities			
Accounts payable	157,565	142,886	300,451
Contracts payable	518,748	17,494	536,242
Accrued wages payable	183,738	14,113	197,851
Intergovernmental payable	572,840	162,323	735,163
Accrued interest payable	73,425	-	73,425
Notes payable	3,700,000	-	3,700,000
Unearned revenue	1,367,223	-	1,367,223
Long-term liabilities:			
Due within one year	96,731	35,435	132,166
Due within more than one year	1,030,191	206,389	1,236,580
Total liabilities	7,700,461	578,640	8,279,101
Net Assets			
Invested in capital assets, net of related debt	37,322,269	2,390,678	39,712,947
Restricted for:			
Capital purposes	214,504	-	214,504
Other purposes	1,138,347	-	1,138,347
Permanent endowment:			
Nonexpendable	50,000	-	50,000
Expendable	8,094	-	8,094
Unrestricted	15,635,204	2,533,293	18,168,497
Total net assets	\$ 54,368,418	\$ 4,923,971	\$ 59,292,389

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Activities

For the Year Ended December 31, 2008

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Security of persons and property	\$ 5,098,411	\$ 289,476	\$ -	\$ -	\$ (4,808,935)	\$ -	\$ (4,808,935)
Public health services	94,550	20,130	-	-	(74,420)	-	(74,420)
Leisure time activities	1,063,776	487,864	12,052	-	(563,860)	-	(563,860)
Community environment	1,991,227	299,289	-	-	(1,691,938)	-	(1,691,938)
Transportation	1,017,888	-	-	-	(1,017,888)	-	(1,017,888)
General government	3,365,267	324,506	-	-	(3,040,761)	-	(3,040,761)
Public works	1,028,743	-	-	175,000	(853,743)	-	(853,743)
Interest on long-term debt	126,165	-	-	-	(126,165)	-	(126,165)
Total governmental activities	\$ 13,786,027	\$ 1,421,265	\$ 12,052	\$ 175,000	(12,177,710)	-	(12,177,710)
Business-type activities:							
Water	977,167	947,759	-	-	-	(29,408)	(29,408)
Sewer	1,363,286	1,521,159	-	-	-	157,873	157,873
Total business-type activities	2,340,453	2,468,918	-	-	-	128,465	128,465
Total	\$ 16,126,480	\$ 3,890,183	\$ 12,052	\$ 175,000	(12,177,710)	128,465	(12,049,245)
General revenues:							
Taxes:							
Income taxes					5,753,980	-	5,753,980
Property taxes levied for:							
General purposes					1,783,359	-	1,783,359
Police and fire pension					83,333	-	83,333
Grants and contributions not restricted to specific programs					2,725,579	-	2,725,579
Investment earnings					883,600	66,318	949,918
Miscellaneous					285,168	14,940	300,108
Total general revenues					11,515,019	81,258	11,596,277
Change in net assets					(662,691)	209,723	(452,968)
Net assets, beginning of year					55,031,109	4,714,248	59,745,357
Net assets, end of year					\$ 54,368,418	\$ 4,923,971	\$ 59,292,389

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Balance Sheet Governmental Funds December 31, 2008

	General Fund	Refuse Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and investments	\$ 10,150,992	\$ 624,714	\$ 2,079,430	\$ 3,943,320	\$ 16,798,456
Cash in segregated accounts	10,262	-	-	1,456	11,718
Receivables:					
Property taxes	1,335,529	-	-	82,633	1,418,162
Income taxes	2,214,717	-	-	-	2,214,717
Accounts	18,379	64,777	2,124	14,229	99,509
Special assessments	4,758	5,913	-	128,008	138,679
Interest	148,146	-	-	5,634	153,780
Intergovernmental	483,137	-	-	198,434	681,571
Prepaid expenses	19,233	536	-	8,413	28,182
Inventory	45,951	10,461	-	84,611	141,023
Total assets	14,431,104	706,401	2,081,554	4,466,738	21,685,797
Liabilities and Fund Balances					
Liabilities					
Accounts payable	86,712	1,830	1,632	53,741	143,915
Contracts payable	-	-	430,187	88,561	518,748
Accrued wages payable	127,887	20,139	-	30,681	178,707
Compensated absences payable	2,799	-	-	-	2,799
Intergovernmental payable	429,121	60,898	-	71,394	561,413
Accrued interest payable	73,425	-	-	-	73,425
Notes payable	3,700,000	-	-	-	3,700,000
Deferred revenue	3,601,030	48,121	2,124	395,161	4,046,436
Total liabilities	8,020,974	130,988	433,943	639,538	9,225,443
Fund Balances					
Reserved for:					
Encumbrances	89,662	27,692	910,016	181,638	1,209,008
Prepaid expenses	19,233	536	-	8,413	28,182
Inventory	45,951	10,461	-	84,611	141,023
Bullock Endowment	-	-	-	50,000	50,000
Unreserved, reported in:					
Designated for Memorial Gardens Improvements	-	-	-	2,285	2,285
Undesignated, reported in:					
General fund	6,255,284	-	-	-	6,255,284
Special revenue funds	-	536,724	-	2,171,489	2,708,213
Capital projects funds	-	-	737,595	1,320,670	2,058,265
Permanent funds	-	-	-	8,094	8,094
Total fund balances	6,410,130	575,413	1,647,611	3,827,200	12,460,354
Total liabilities and fund balances	\$ 14,431,104	\$ 706,401	\$ 2,081,554	\$ 4,466,738	\$ 21,685,797

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets December 31, 2008

Fund balance - total governmental funds		\$	12,460,354
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			
			36,236,652
Some receivables are not available to pay for current-period expenditures therefore, related revenues are deferred in the funds:			
Property and other taxes	50,939		
Income taxes	1,730,836		
Intergovernmental	585,808		
Special assessments	138,680		
Charges for services	61,516		
Interest	111,434		
			<u>2,679,213</u>
Internal service funds are used to charge the costs of certain activities such as providing insurance as well as the 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.			
			4,916,153
The internal balance represents the portion of the internal service funds' assets and liabilities that are allocated to the enterprise funds.			
			(817,939)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:			
Police and fire pension	(567,682)		
Compensated absences payable	(538,333)		
			<u>(1,106,015)</u>
Net assets of governmental activities		\$	<u>54,368,418</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General Fund	Refuse Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Income taxes	\$ 5,658,562	\$ -	\$ -	\$ -	\$ 5,658,562
Property taxes	1,632,187	-	-	211,737	1,843,924
Intergovernmental	2,004,022	-	175,000	416,918	2,595,940
Charges for services	290,856	265,419	-	557,655	1,113,930
Fines, licenses and permits	111,316	-	-	34,885	146,201
Special assessments	-	5,659	-	134,642	140,301
Investment earnings	855,793	-	-	36,170	891,963
Donations	124,270	-	-	13,052	137,322
Miscellaneous	218,329	23,209	1,320	42,310	285,168
Total revenues	<u>10,895,335</u>	<u>294,287</u>	<u>176,320</u>	<u>1,447,369</u>	<u>12,813,311</u>
Expenditures					
Security of persons and property	4,787,002	-	-	235,599	5,022,601
Public health services	-	-	-	104,320	104,320
Leisure time activities	-	-	-	1,027,106	1,027,106
Community environment	591,969	1,342,203	-	486	1,934,658
Transportation	-	-	-	970,968	970,968
General government	2,622,163	-	-	4,912	2,627,075
Capital outlay	-	-	3,598,072	759,179	4,357,251
Debt service:					
Principal retirement	-	-	-	11,450	11,450
Interest and fiscal charges	101,672	-	-	24,493	126,165
Total expenditures	<u>8,102,806</u>	<u>1,342,203</u>	<u>3,598,072</u>	<u>3,138,513</u>	<u>16,181,594</u>
Excess of revenues over (under) expenditures	<u>2,792,529</u>	<u>(1,047,916)</u>	<u>(3,421,752)</u>	<u>(1,691,144)</u>	<u>(3,368,283)</u>
Other financing sources (uses)					
Transfers in	-	976,000	27,315	1,051,745	2,055,060
Transfers out	(2,055,060)	-	-	-	(2,055,060)
Total other financing sources (uses)	<u>(2,055,060)</u>	<u>976,000</u>	<u>27,315</u>	<u>1,051,745</u>	<u>-</u>
Net change in fund balance	737,469	(71,916)	(3,394,437)	(639,399)	(3,368,283)
Fund balance, beginning of year	5,672,661	647,329	5,042,048	4,466,599	15,828,637
Fund balance, end of year	<u>\$ 6,410,130</u>	<u>\$ 575,413</u>	<u>\$ 1,647,611</u>	<u>\$ 3,827,200</u>	<u>\$ 12,460,354</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds	\$	(3,368,283)
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 are allocated over their useful lives as depreciation expense:		
Capital asset additions	3,843,622	
Current year depreciation	<u>(1,131,707)</u>	
		2,711,915
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets. There were no proceeds.		(301,967)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		310,025
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		11,450
Internal service funds are used to charge the costs of certain activities, such as insurance and vehicle maintenance to the individual funds as reported in the Statement of Activities.		(94,201)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		<u>68,370</u>
Change in net assets of governmental activities	\$	<u>(662,691)</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Net Assets

Proprietary Funds

December 31, 2008

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 1,291,232	\$ 204,132	\$ 1,495,364	\$ 157,705
Receivables:				
Accounts	181,277	316,811	498,088	1,661
Special assessments	26,294	37,772	64,066	-
Interest	9,980	1,470	11,450	-
Prepaid expenses	1,525	1,443	2,968	383
Inventory	27,220	897	28,117	19,000
Total current assets	<u>1,537,528</u>	<u>562,525</u>	<u>2,100,053</u>	<u>178,749</u>
Noncurrent assets:				
Nondepreciable capital assets	283,820	-	283,820	25,840
Depreciable capital assets (net of accumulated depreciation)	1,247,207	1,053,592	2,300,799	4,759,777
Total noncurrent assets	<u>1,531,027</u>	<u>1,053,592</u>	<u>2,584,619</u>	<u>4,785,617</u>
Total assets	<u>3,068,555</u>	<u>1,616,117</u>	<u>4,684,672</u>	<u>4,964,366</u>
Liabilities				
Current Liabilities:				
Accounts payable	17,430	125,456	142,886	13,651
Contracts payable	15,973	1,521	17,494	-
Accrued wages payable	8,695	5,418	14,113	5,030
Intergovernmental payable	19,270	143,053	162,323	11,427
OPWC loan payable	-	25,859	25,859	-
Compensated absences payable	5,669	3,907	9,576	3,621
Total current liabilities	<u>67,037</u>	<u>305,214</u>	<u>372,251</u>	<u>33,729</u>
Noncurrent liabilities:				
Compensated absences payable	22,677	15,629	38,306	14,484
OPWC loan payable	-	168,083	168,083	-
Total noncurrent liabilities	<u>22,677</u>	<u>183,712</u>	<u>206,389</u>	<u>14,484</u>
Total liabilities	<u>89,714</u>	<u>488,926</u>	<u>578,640</u>	<u>48,213</u>
Net Assets				
Invested in capital assets, net of related debt	1,531,027	859,651	2,390,678	4,785,617
Unrestricted	<u>1,447,814</u>	<u>267,540</u>	<u>1,715,354</u>	<u>130,536</u>
Total net assets	<u>\$ 2,978,841</u>	<u>\$ 1,127,191</u>	<u>\$ 4,106,032</u>	<u>\$ 4,916,153</u>

Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	\$ 817,939
Total net assets from above	<u>4,106,032</u>
	<u>\$ 4,923,971</u>

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
<i>Operating Revenues</i>				
Charges for services	\$ 923,988	\$ 1,500,399	\$ 2,424,387	\$ 643,422
Fines, licenses and permits	675	95	770	-
Special assessments	23,095	20,665	43,760	-
Miscellaneous	9,474	5,467	14,941	4,513
Total operating revenues	957,232	1,526,626	2,483,858	647,935
<i>Operating Expenditures</i>				
Personnel services	386,130	225,222	611,352	214,286
Contractual services	300,927	1,094,121	1,395,048	89,101
Supplies and materials	172,502	11,344	183,846	326,331
Claims	-	-	-	9,302
Miscellaneous	2,203	2,848	5,051	55
Depreciation	82,001	29,758	111,759	136,467
Total operating expenditures	943,763	1,363,293	2,307,056	775,542
Operating income (loss)	13,469	163,333	176,802	(127,607)
<i>Non-operating revenues</i>				
Investment earnings	58,037	8,281	66,318	-
Change in net assets	71,506	171,614	243,120	(127,607)
Net assets, beginning of year	2,907,335	955,577		5,043,760
Net assets, end of year	\$ 2,978,841	\$ 1,127,191		\$ 4,916,153
			(33,397)	
			\$ 209,723	

Adjustment to reflect consolidation of internal service
fund activities related to enterprise funds

Change in net assets of business-type activities

CITY OF OAKWOOD, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2008

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	
<i>Cash flows from operating activities</i>				
Cash received from customers	\$ 927,871	\$ 1,362,303	\$ 2,290,174	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	643,422
Cash received from other sources	9,474	26,132	35,606	2,852
Cash payments for employee services and benefits	(387,682)	(225,308)	(612,990)	(551,612)
Cash payments for insurance claims	-	-	-	(9,302)
Cash payments to suppliers for goods and services	(460,605)	(1,062,680)	(1,523,285)	(90,736)
Cash payments for other operating expenses	(2,203)	(2,847)	(5,050)	(55)
Net cash provided by operating activities	86,855	97,600	184,455	(5,431)
<i>Cash flows from capital and related financing activities</i>				
Acquisition of capital assets	(36,674)	-	(36,674)	-
Principal paid on notes	-	(25,859)	(25,859)	-
Net cash used by capital and related financing activities	(36,674)	(25,859)	(62,533)	-
<i>Cash flows from investing activities</i>				
Market gain (loss) on investments	(11,076)	(2,048)	(13,124)	-
Proceeds from earnings on investments	70,072	10,329	80,401	-
Net cash provided by investing activities	58,996	8,281	67,277	-
Net increase (decrease) in cash and investments	109,177	80,022	189,199	(5,431)
Cash and investments, beginning of year	1,182,055	124,110	1,306,165	163,136
Cash and investments, end of year	\$ 1,291,232	\$ 204,132	\$ 1,495,364	\$ 157,705
<i>Reconciliation of operating (loss) to net cash provided (used) by operating activities</i>				
Operating income (loss)	\$ 13,469	\$ 163,333	\$ 176,802	\$ (127,607)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	82,001	29,758	111,759	136,467
Changes in assets and liabilities:				
Accounts receivable	(19,887)	(137,966)	(157,853)	(1,661)
Prepaid expenses	(99)	(80)	(179)	(13)
Inventory	(9,291)	(350)	(9,641)	(1,794)
Accounts payable	6,204	(90,664)	(84,460)	(1,881)
Contracts payable	15,973	1,521	17,494	-
Accrued wages payable	940	1,170	2,110	220
Intergovernmental payable	2,885	133,994	136,879	2,140
Compensated absences payable	(5,340)	(3,116)	(8,456)	(11,302)
Net cash provided (used) by investing activities	\$ 86,855	\$ 97,600	\$ 184,455	\$ (5,431)

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Statement of Assets and Liabilities

Fiduciary Funds

December 31, 2008

	Martin Luther King Jr. Community Recognition Fund	Municipal Court Fund
<i>Assets</i>		
Equity in pooled cash and investments	\$ -	\$ 20,207
Cash in segregated accounts	5,224	-
Total assets	\$ 5,224	\$ 20,207
 <i>Liabilities</i>		
Accounts payable	145	-
Intergovernmental payable	-	15,519
Deposits held and due to others	5,079	4,688
Total liabilities	\$ 5,224	\$ 20,207

See accompanying notes to the basic financial statements.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Oakwood, Ohio (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City’s accounting policies are described below.

Reporting Entity

The City is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated on July 29, 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.

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.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and the business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (a) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, income taxes and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, 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.

The *Refuse Fund* is used to account for the refuse collection and disposal program throughout the City. The City charges its residence a pick-up fee associated with this service, however, the activity is substantially supported through transfers from the General Fund.

The *Capital Improvement Fund* accounts for the construction of approved public improvements and services from general governmental resources.

The City reports the following major enterprise funds:

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

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for the financing of goods or services provided by one department to other departments in the City. These goods and services include vehicle maintenance and payment of self-insurance vision program deductibles.

The *Agency Funds* are used to account for the collection and disbursement of monies by the City on behalf of other individuals or entities. The City has two agency fiduciary funds.

In accordance with GASB Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*,” the City has elected to apply all applicable GASB as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, for its government-wide and proprietary fund financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 investments” on the financial statements.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity in Pooled Cash and Investments

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

During the year, the City's investments included a certificate of deposit, STAROhio and various federal securities. STAROhio is an investment pool managed by the State of Ohio's Treasurer's Office, which allows governments within Ohio to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2008.

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.

Investment earnings are distributed to the funds according to charter and statutory requirements. Investment earnings reported in the statement of activities for 2008 amounted to \$949,918. This amount includes an increase of \$286,675 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.*"

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer Funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the quarter following the close of the fiscal year.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventories consist of consumable supplies and are stated at cost, using the first-in/first-out (FIFO) method. Reported inventories are equally offset by a fund balance reserve.

Prepaid expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses in both the government-wide and fund financial statements.

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, 2008 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

Capital assets, which include land, land improvements, buildings, vehicles, equipment, infrastructure assets and construction in progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements and are not depreciated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not 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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

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

Fully depreciated assets still in service are carried in the capital asset accounts.

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick leave benefits.

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. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity

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, prepaid expenses, 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 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 \$1,410,945 in restricted net assets, none was restricted by enabling legislation.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenditures/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/expense to funds that initially paid for them are not presented on the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

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. Investment earnings are 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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that, in the event of failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. 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 \$2,318,900 and the bank balance was \$2,723,640. Of the bank balance, \$419,993 was covered by federal deposit insurance. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investments Risk Disclosures*”, \$2,303,647 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:

	Fair Value	Investment Maturities (in Years)	
		Less than One Year	One to Five Years
Federal Fam Credit Bureau	\$ 2,937,878	\$ -	\$ 2,937,878
Federal Home Loan Bank	11,004,760	-	11,004,760
GECC Corporate Internotes	956,610		956,610
STAROhio	1,270,526	1,270,526	-
Total	\$ 16,169,774	\$ 1,270,526	\$ 14,899,248

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.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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 STAROhio has an AAAM credit rating. The City’s investment in GECC Corporate Internotes are currently rated Aa2.

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

<u>Investment</u>	<u>Percent</u>
Federal Farm Credit Bureau	18.17%
Federal Home Loan Bank	68.06%
STAROhio	7.86%
GECC Corporate Internotes	5.91%

NOTE 3 – RECEIVABLES AND PAYABLES

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible (used in business) personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2007 taxes.

Real property taxes are levied each December 31st on the assessed value listed as of the prior December 31st. Assessed values are established by State law at 35% of true value for real property and varying percentages of true value for public utility tangible personal property, generally 25%, and for tangible personal property at 6.25% for 2008. The percentage of tangible personal property will be reduced to zero percent in 2009. The State of Ohio will reimburse the City in full for lost revenue until 2010 and a reduced reimbursement for years 2011-2017. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2008.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 3 – RECEIVABLES AND PAYABLES (Continued)

The property tax calendar is as follows:

Levy date	December 31, 2007
Lien date	December 31, 2007
Tax bill mailed	January 20, 2008
First installment payment due	February 15, 2008
Second installment payment due	July 15, 2008

The assessed values for the City at December 31, 2007 were as follows:

	<u>Assessed Value</u>
Real Estate	\$311,998,610
Public Utility Personal Property	1,424,600
Tangible Personal Property	<u>1,250,726</u>
Total	<u>\$314,673,936</u>

The County Treasurer collects property taxes on behalf of all taxing districts including the City of Oakwood. The County periodically remits to the City its portion of the taxes collected.

Income Tax

The City levies a municipal income tax of two and one-half percent on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City; however, a credit is allowed for income taxes paid to other municipalities. Filing is mandatory for all residents of the City.

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 pay estimated taxes quarterly and file an annual declaration.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 3 – RECEIVABLES AND PAYABLES (Continued)

Receivables / Deferred Revenue

Governmental funds report deferred revenue in connection with receivable for revenues that are not considered available to liquidate liabilities of the current period. The balances at December 31, 2008 were:

	Governmental Funds	
	Receivable	Deferred Revenue
Property taxes	\$ 1,418,162	\$ 1,418,162
Income taxes	2,214,717	1,730,836
Accounts receivable	99,509	61,516
Special assessments	138,679	138,679
Interest	153,780	111,434
Intergovernmental	681,571	585,809
	<u>\$ 4,706,418</u>	<u>\$ 4,046,436</u>

Accounts receivable consists of primarily charges for water and sewer services, sidewalk repair and emergency medical transportation services provided by the City of Oakwood. Special assessments consist of mainly charges for street lighting. Intergovernmental receivables are amounts due to the City from other governmental units, primarily estate and gasoline taxes.

Payables

The governmental funds had \$1,479,007 in accounts payable and accrued liabilities at December 31, 2008. The payables and accrued liabilities were primarily for materials and services, payroll and payroll related liabilities that were expensed but the funds had not been disbursed, both due to the normal lag in processing such transactions at year-end.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental Activities</i>				
Non-depreciable capital assets:				
Land	\$ 4,370,035	\$ -	\$ -	\$ 4,370,035
Construction in progress	231,230	2,321,856	-	2,553,086
Non-depreciable capital assets	<u>4,601,265</u>	<u>2,321,856</u>	<u>-</u>	<u>6,923,121</u>
Depreciable capital assets:				
Buildings	14,968,867	185,623	(338,536)	14,815,954
Land Improvements	1,160,373	896,377	-	2,056,750
Equipment	2,040,988	79,918	(112,739)	2,008,167
Vehicles	2,499,804	305,292	(20,330)	2,784,766
Infrastructure	<u>30,252,654</u>	<u>54,556</u>	<u>-</u>	<u>30,307,210</u>
Depreciable capital assets	<u>50,922,686</u>	<u>1,521,766</u>	<u>(471,605)</u>	<u>51,972,847</u>
Less accumulated depreciation:				
Buildings	(2,069,523)	(427,273)	37,284	(2,459,512)
Land Improvements	(1,079,265)	(22,345)	-	(1,101,610)
Equipment	(1,614,092)	(168,191)	112,024	(1,670,259)
Vehicles	(2,196,453)	(120,442)	20,330	(2,296,565)
Infrastructure	<u>(9,809,236)</u>	<u>(536,517)</u>	<u>-</u>	<u>(10,345,753)</u>
Accumulated depreciation	<u>(16,768,569)</u>	<u>(1,274,768)</u>	<u>169,638</u>	<u>(17,873,699)</u>
Depreciable capital assets, net	<u>34,154,117</u>	<u>246,998</u>	<u>(301,967)</u>	<u>34,099,148</u>
Governmental activities capital assets, net	<u>\$ 38,755,382</u>	<u>\$ 2,568,854</u>	<u>\$ (301,967)</u>	<u>\$ 41,022,269</u>

Depreciation expense was charged to governmental functions as follows:

Public works	\$ 515,115
General government	468,118
Security of persons and property	85,643
Community environment	31,203
Leisure time activities	19,165
Transportation	19,057
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>136,467</u>
Total depreciation expense - governmental activities	<u>\$ 1,274,768</u>

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Business-type Activities</i>				
Non-depreciable capital assets:				
Land	\$ 283,820	\$ -	\$ -	\$ 283,820
Depreciable capital assets:				
Buildings	799,495	-	-	799,495
Land Improvements	188,534	-	-	188,534
Equipment	2,550,313	16,274	(13,539)	2,553,048
Vehicles	381,450	20,400	-	401,850
Infrastructure	4,539,115	-	-	4,539,115
Depreciable capital assets	<u>8,458,907</u>	<u>36,674</u>	<u>(13,539)</u>	<u>8,482,042</u>
Less accumulated depreciation:				
Buildings	(337,154)	(18,925)	-	(356,079)
Land Improvements	(100,912)	(5,397)	-	(106,309)
Equipment	(2,483,362)	(28,567)	13,539	(2,498,390)
Vehicles	(360,723)	(10,173)	-	(370,896)
Infrastructure	<u>(2,784,070)</u>	<u>(65,499)</u>	<u>-</u>	<u>(2,849,569)</u>
Accumulated depreciation	(6,066,221)	(128,561)	13,539	(6,181,243)
Depreciable capital assets, net	<u>2,392,686</u>	<u>(91,887)</u>	<u>-</u>	<u>2,300,799</u>
Governmental activities capital assets, net	<u>\$ 2,676,506</u>	<u>\$ (91,887)</u>	<u>\$ -</u>	<u>\$ 2,584,619</u>

NOTE 5 – DEFINED BENEFIT PENSION PLANS

Both the Ohio Police and Fire Pension Fund and the Ohio Public Employees Retirement System are reported using GASB Statement No. 27 “Accounting for Pensions by State and Local Governmental Employers”. Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Ohio Police and Fire Pension Fund (OP&F) 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 (TP), the Member-Directed Plan (MD) and the Combined Plan (CO). The TP is a cost sharing, multiple-employer defined benefit pension plan. The MD is a defined contribution plan in which the member invests both employee and employer contributions (employer

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

contributions vested 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 CO 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 MD.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO Plans. Members of the MD 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 writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. The 2008 member contribution rate was 10.0% and the City's contribution rate was 14.0% of covered payroll. The City's required contributions to the plans for the years ending December 31, 2008, 2007 and 2006 were \$531,970, \$501,865, and \$471,243, respectively. Total contributions for 2008 represented 93.1% of required contributions for the year, with 100% being contributed for 2007 and 2006.

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. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for the City's safety officers. The City's contributions to OP&F for the years ending December 31, 2008, 2007 and 2006 were \$546,278, \$512,494 and \$479,864, respectively. Total contributions for 2008 represented 72.9% of required contributions for the year, with 100% being contributed for 2007 and 2006.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 5, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension (OP&F) provide post retirement health care coverage, which meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB 45, “*Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension.*” For both systems, the Ohio Revised Code (ORC) permits, but does not mandate, OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in the ORC Chapter 145 for OPERS and Chapter 742 for OP&F.

Ohio Public Employees Retirement System

OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CO), all of which are described in note 5. OPERS maintains a cost-sharing multiple employer defined benefit post employment healthcare plan, which provides a medical plan, prescription drug plan program and Medicare Part B premium reimbursement, to age and service retirees with 10 or more years of qualifying Ohio service credit of both the TP and CO. Members of the MD do not qualify for ancillary benefits, including post employment health care coverage. Health care coverage for disability recipients and qualified survivor benefit recipients is available.

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer’s contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 14.0%. The ORC states that the employer contribution may not exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS post employment healthcare plan was established and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment healthcare benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions allocated to fund post employment benefits for 2008 were \$206,393.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The Health Care Preservation Plan adopted by OPERS Retirement Board on September 9, 2004, was 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Ohio Police and Fire Pension Fund

OP&F sponsors a cost-sharing multiple employer defined post retirement health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OP&F. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5%. The ORC states that the employer contribution may not exceed 19.5% of covered payroll. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code section 115 trust accounts and one for Medicare Plan B reimbursements administered as an IRS code section 401(h) account, both of which are within the defined benefit pension plan, under authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or surviving beneficiaries. Payment amounts vary depending upon the number of covered dependents and the coverage selected. City contributions allocated to fund post employment benefits for 2008 were \$199,022.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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 amounted to \$440,235 at December 31, 2008.

Accumulated Unpaid Sick Leave

City employees earn sick leave at a rate of ten hours per month. A maximum of 150 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 amounted to \$166,887 at December 31, 2008.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 7—LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS

Short-term Obligations

In March, 2008 the City issued a general obligation note that will mature on March 12, 2009. The proceeds of the note were used to pay the debt service on the \$2.15 million 2007 Capital Facilities Note and the \$2.10 million 2007 Land Acquisition Note. These short-term notes were originally issued to provide financing for the construction of a new public works facility, the renovations to the City’s administration and safety building and the acquisition of land for parks and recreational activities. The note will be paid from general revenues and is backed by the full faith and credit of the City. Interest expense on the notes amounted to \$101,672 for the year ended December 31, 2008.

The following is a summary of the short-term note transactions for the year ended December 31, 2008:

		<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>					
2007 Capital Facilities Note	- 4.00%	\$ 2,150,000	\$ -	\$ 2,150,000	\$ -
2007 Land Acquisition Notes	- 3.60%	2,100,000	-	2,100,000	-
2008 Various Purpose Notes	- 1.99%	-	3,700,000	-	3,700,000
		<u>\$ 4,250,000</u>	<u>\$ 3,700,000</u>	<u>\$ 4,250,000</u>	<u>\$ 3,700,000</u>

Long-term Obligations

In 1969, the City entered into an agreement with the State of Ohio to fund the unfunded pension costs associated with police and fire service. The original obligation was \$718,825 and is being repaid through local property tax revenues.

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. The proceeds were used to improve the City’s sanitary sewer system. Repayment is being made from operating revenues of the sewer fund.

Compensated absences will be paid from the fund in which the employee who has earned the leave is paid.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 7—LONG-TERM OBLIGATIONS AND OTHER FINANCING ARRANGEMENTS (Continued)

The following is a summary of long-term liability activity for the year ended December 31, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Governmental Activities:</u>					
Police and Fire Pension	\$ 579,132	\$ -	\$ 11,450	\$ 567,682	\$ 11,940
Compensated Absences Payable	636,115	20,013	96,888	559,240	84,791
Total	<u>\$ 1,215,247</u>	<u>\$ 20,013</u>	<u>\$ 108,338</u>	<u>\$ 1,126,922</u>	<u>\$ 96,731</u>
<u>Business-Type Activities:</u>					
OPWC Loan Payable	\$ 219,801	\$ -	\$ 25,859	\$ 193,942	\$ 25,859
Compensated Absences Payable	56,338	2,811	11,267	47,882	9,576
Total	<u>\$ 276,139</u>	<u>\$ 2,811</u>	<u>\$ 37,126</u>	<u>\$ 241,824</u>	<u>\$ 35,435</u>

Principal and interest requirements to retire the city's long-term obligations outstanding at December 31, 2008 were:

Year Ending December 31,	Police and Fire Pension		OPWC Loan Payable	
	Principal	Interest	Principal	Interest
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	14,128	21,814	25,859	-
2014-2018	80,279	99,427	64,647	-
2019-2023	99,065	80,641	-	-
2024-2028	122,248	57,458	-	-
2029-2033	150,856	28,850	-	-
2034-2035	50,179	2,114	-	-
Total	<u>\$ 567,682</u>	<u>\$ 383,141</u>	<u>\$ 193,942</u>	<u>\$ -</u>

The Ohio Revised Code provides that the total net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of a municipal corporation cannot exceed 5.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. As of December 31, 2008, the City had legal debt margin for total debt of \$33,040,763 and a legal debt margin for unvoted debt of \$17,307,066.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City secures general liability, property and automobile coverage through The Ohio Plan. This plan does not operate as a risk pool, but provides insurance protection through reinsurance treaties. The plan retains 15% of the premiums and losses on the first \$250,000 of the casualty treaty and 10% of premiums and losses on the first \$1,000,000 of the property treaty.

The City pays an annual premium to The Ohio Plan for this coverage. Insurance will cover up to the limits as stated below:

	Per Occurrence	Annual Aggregate	Deductible
General liability	\$ 5,000,000	\$ 7,000,000	\$ 1,000
Employers liability	\$ 5,000,000	\$ 5,000,000	N/A
Employee benefits liability	\$ 1,000,000	\$ 3,000,000	N/A
Law enforcement officers liability	\$ 5,000,000	\$ 7,000,000	\$ 2,500
Public official liability	\$ 5,000,000	\$ 7,000,000	\$ 2,500
Automobile liability	\$ 5,000,000	N/A	Comprehensive - \$500 Collision - \$1,000

There were no reductions in insurance coverage during the year in any category of risk. Settled claims did not exceed insurance coverage in each of the past three years.

The City pays the State Workers' Compensation System a premium based on salaries paid. The City also provides medical, dental, vision and life insurance to all full-time employees. In 2008, the City paid approximately 91% of the premiums for medical coverage, approximately 80% of the premiums for dental insurance, and 100% of the premiums for life insurance. The City is self-insured for vision insurance. Vision payments were \$9,302, \$8,169 and \$10,021 for the years ended December 31, 2008, 2007 and 2006, respectively.

CITY OF OAKWOOD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 9 – CONTINGENT LIABILITIES

The City is named in a variety of lawsuits in the course of its normal governmental operations. Liability, if any, which might result from these proceedings would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Amounts received or receivables from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal or State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 10 – TRANSFERS

The following is a summary of transfers in and out for all funds in 2008:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ -	\$ 2,055,060
Refuse	976,000	-
Capital improvement	27,315	-
Other governmental	<u>1,051,745</u>	<u>-</u>
Total transfers	<u>\$ 2,055,060</u>	<u>\$ 2,055,060</u>

All interfund transfers are routine in nature and are to subsidize the operations of the applicable fund.



Required Supplementary Information

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2008

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income taxes	\$ 5,500,000	\$ 5,500,000	\$ 5,785,574	\$ 285,574
Property taxes	1,872,800	1,872,800	1,854,522	(18,278)
Intergovernmental	1,513,960	1,513,960	1,908,289	394,329
Charges for services	105,143	105,143	137,522	32,379
Fines, licenses and permits	121,950	121,950	116,218	(5,732)
Investment earnings	690,000	690,000	1,040,778	350,778
Donations	51,200	51,200	96,955	45,755
Miscellaneous	112,700	112,700	133,921	21,221
Total revenues	<u>9,967,753</u>	<u>9,967,753</u>	<u>11,073,779</u>	<u>1,106,026</u>
Expenditures				
Current:				
Security of persons and property	4,855,220	4,855,220	4,779,897	(75,323)
Community environment	577,395	577,395	593,631	16,236
General government	2,607,793	2,607,793	2,705,287	97,494
Debt service:				
Principal retirement	4,250,000	4,250,000	4,250,000	-
Interest and fiscal charges	126,000	126,000	116,182	(9,818)
Total expenditures	<u>12,416,408</u>	<u>12,416,408</u>	<u>12,444,997</u>	<u>28,589</u>
Excess of revenues over (under) expenditures	<u>(2,448,655)</u>	<u>(2,448,655)</u>	<u>(1,371,218)</u>	<u>1,077,437</u>
Other financing sources (uses)				
Transfers in	143,669	143,669	143,668	(1)
Transfers out	(2,198,000)	(2,198,000)	(1,991,804)	206,196
Proceeds from sale of notes	3,700,000	3,700,000	3,700,000	-
Total other financing sources (uses)	<u>1,645,669</u>	<u>1,645,669</u>	<u>1,851,864</u>	<u>206,195</u>
Net change in fund balance	(802,986)	(802,986)	480,646	1,283,632
Fund balance, beginning of year	9,181,087	9,181,087	9,181,087	-
Prior Year Encumbrances Appropriated	60,673	60,673	60,673	-
Fund balance, end of year	<u>\$ 8,438,774</u>	<u>\$ 8,438,774</u>	<u>\$ 9,722,406</u>	<u>\$ 1,283,632</u>

See notes to required supplementary information.

CITY OF OAKWOOD, OHIO

Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual Budgetary (Non-GAAP) Basis
Refuse Fund
For the Year Ended December 31, 2008

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 272,000	\$ 272,000	\$ 267,184	\$ (4,816)
Special assessments	7,500	7,500	5,659	(1,841)
Miscellaneous	21,500	21,500	23,209	1,709
Total revenues	<u>301,000</u>	<u>301,000</u>	<u>296,052</u>	<u>(4,948)</u>
Expenditures				
Current:				
Community environment	1,195,100	1,260,100	1,236,551	(23,549)
Total expenditures	<u>1,195,100</u>	<u>1,260,100</u>	<u>1,236,551</u>	<u>(23,549)</u>
Excess of revenues over (under) expenditures	<u>(894,100)</u>	<u>(959,100)</u>	<u>(940,499)</u>	<u>18,601</u>
Other financing sources (uses)				
Transfers in	976,000	976,000	976,000	-
Transfers out	(131,541)	(131,541)	(124,312)	7,229
Total other financing sources (uses)	<u>844,459</u>	<u>844,459</u>	<u>851,688</u>	<u>7,229</u>
Net change in fund balance	(49,641)	(114,641)	(88,811)	25,830
Fund balance, beginning of year	650,255	650,255	650,255	-
Prior Year Encumbrances Appropriated	18,981	18,981	18,981	-
Fund balance, end of year	<u>\$ 619,595</u>	<u>\$ 554,595</u>	<u>\$ 580,425</u>	<u>\$ 25,830</u>

See notes to required supplementary information.

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2008

Note 1 – 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).

Additionally, all annual appropriations lapse at year-end to the extent they have been expended or lawfully encumbered. The ending fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

Note 2 – 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

CITY OF OAKWOOD, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended December 31, 2008

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 – Reconciliation of Budget Basis to GAAP Basis

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

	General Fund	Refuse Fund
GAAP Basis	\$ 737,469	\$ (71,916)
Revenue accruals	225,754	(28,931)
Expenditure accruals	86,388	180,637
Encumbrances	(162,633)	(44,289)
Principal retirement	(4,250,000)	-
Transfers	143,668	(124,312)
Proceeds from sale of notes	3,700,000	-
Budgetary Basis	\$ 480,646	\$ (88,811)

CITY OF OAKWOOD

Yellow Book Report

December 31, 2008

**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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 15, 2009. 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.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 May 15, 2009.

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.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
May 15, 2009



Mary Taylor, CPA
Auditor of State

**CITY OF OAKWOOD
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 16, 2009**