

***VILLAGE OF OBETZ  
FRANKLIN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Obetz  
4175 Alum Creek Drive  
Obetz, Ohio 43207

We have reviewed the *Report of Independent Accountants* of the Village of Obetz, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Obetz 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

May 10, 2007

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**VILLAGE OF OBETZ  
FRANKLIN COUNTY  
For the Years Ending December 31, 2005 and 2004**

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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Obetz  
Franklin County  
4175 Alum Creek Drive  
Obetz, Ohio 43207

To Village Council:

We have audited the accompanying financial statements of the Village of Obetz, Franklin County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Obetz, Franklin County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

February 24, 2007

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

	<b>Governmental Fund Types</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
Receipts:					
Property and Other Local Taxes	\$ 320,214	\$ 93,688	\$ -	\$ -	\$ 413,902
Municipal Income Taxes	2,333,122	-	480,000	240,000	3,053,122
Intergovernmental	275,213	240,229	239,187	-	754,629
Special Assessments	-	3,380	-	-	3,380
Charges for Services	11,505	-	-	-	11,505
Fines, Licenses and Permits	114,759	13,620	-	-	128,379
Interest	120,571	4,598	18,378	30,340	173,887
Other	3,270	892	-	-	4,162
<b>Total Receipts</b>	<b><u>3,178,654</u></b>	<b><u>356,407</u></b>	<b><u>737,565</u></b>	<b><u>270,340</u></b>	<b><u>4,542,966</u></b>
Disbursements:					
Security of Persons & Property	1,056,405	5,852	-	-	1,062,257
Public Health Services	19,449	-	-	-	19,449
Leisure Time Activities	301,040	-	-	-	301,040
Community Environment	245,708	-	-	-	245,708
Transportation	102,002	148,366	-	-	250,368
General Government	962,493	-	-	-	962,493
Capital Outlay	24,251	205,720	-	1,612,697	1,842,668
Debt Service:					
Principal Payment	-	-	3,612,521	225,000	3,837,521
Interest and Fiscal Charges	-	-	305,905	-	305,905
<b>Total Disbursements</b>	<b><u>2,711,348</u></b>	<b><u>359,938</u></b>	<b><u>3,918,426</u></b>	<b><u>1,837,697</u></b>	<b><u>8,827,409</u></b>
Receipts over(under) disbursements	<u>467,306</u>	<u>(3,531)</u>	<u>(3,180,861)</u>	<u>(1,567,357)</u>	<u>(4,284,443)</u>
Other Financing Sources (Uses)					
Sale of Notes	-	-	3,050,000	5,350,000	8,400,000
Other Financing Sources	-	37,466	-	-	37,466
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>37,466</u></b>	<b><u>3,050,000</u></b>	<b><u>5,350,000</u></b>	<b><u>8,437,466</u></b>
<b>Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>467,306</b>	<b>33,935</b>	<b>(130,861)</b>	<b>3,782,643</b>	<b>4,153,023</b>
Fund Balance 1/1/2005	<u>378,884</u>	<u>419,533</u>	<u>328,560</u>	<u>794,647</u>	<u>1,921,624</u>
<b>Fund Balance 12/31/2005</b>	<b><u>\$ 846,190</u></b>	<b><u>\$ 453,468</u></b>	<b><u>\$ 197,699</u></b>	<b><u>\$ 4,577,290</u></b>	<b><u>\$ 6,074,647</u></b>
Reserve fo Encumbrances, December 31	<u>\$ 90,228</u>	<u>\$ 416,023</u>	<u>\$ -</u>	<u>\$ 4,109,727</u>	<u>\$ 4,615,978</u>

See accompanying Notes to the Financial Statements.



VILLAGE OF OBETZ  
FRANKLIN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 3,075,732	-	\$ 3,075,732
Fines, Licenses and Permits	-	\$ 191,747	191,747
<b>Total Operating Cash Receipts</b>	<b><u>3,075,732</u></b>	<b><u>191,747</u></b>	<b><u>3,267,479</u></b>
Operating Cash Disbursements:			
Personal Services	359,554	-	359,554
Employee Fringe Benefits	93,130	-	93,130
Contractual Services	2,295,045	63,349	2,358,394
Supplies and Materials	71,256	-	71,256
Other	7,125	1,164	8,289
Capital Outlay	89,319	-	89,319
<b>Total Operating Cash Disbursements</b>	<b><u>2,915,429</u></b>	<b><u>64,513</u></b>	<b><u>2,979,942</u></b>
Operating Income (Loss)	160,303	127,234	287,537
Non-Operating Cash Receipts/(Disbursements)			
Property and Other Local Taxes	-	22,474	22,474
Redemption of Principal	(82,188)	-	(82,188)
Interest and Other Fiscal Charges	(90,426)	-	(90,426)
<b>Total Non-Operating Cash Receipts/(Disbursements)</b>	<b><u>(172,614)</u></b>	<b><u>22,474</u></b>	<b><u>(150,140)</u></b>
Net Receipts (Under) Disbursements	(12,311)	149,708	137,397
Fund Cash Balances, January 1, 2005	<u>3,041,154</u>	<u>263,919</u>	<u>3,305,073</u>
Fund Cash Balances, December 31, 2005	<u>\$ 3,028,843</u>	<u>\$ 413,627</u>	<u>\$ 3,442,470</u>
Reserve fo Encumbrances, December 31	<u>\$ 84,873</u>	<u>\$ 247,061</u>	<u>\$ 331,934</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF OBETZ  
FRANKLIN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Governmental Fund Types</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
Receipts:					
Property and Other Local Taxes	\$ 333,203	\$ 18,722	\$ -	\$ -	\$ 351,925
Municipal Income Taxes	2,158,302	-	585,000	240,000	2,983,302
Intergovernmental	490,302	280,726	107,381	-	878,409
Charges for Services	10,049	-	-	-	10,049
Fines, Licenses and Permits	337,891	31,182	-	-	369,073
Interest	87,930	2,601	1,750	12,494	104,775
Other	200,277	3,459	-	-	203,736
<b>Total Receipts</b>	<b><u>3,617,954</u></b>	<b><u>336,690</u></b>	<b><u>694,131</u></b>	<b><u>252,494</u></b>	<b><u>4,901,269</u></b>
Disbursements:					
Security of Persons & Property	1,104,240	3,481	-	-	1,107,721
Public Health Services	20,760	-	-	-	20,760
Leisure Time Activities	282,997	-	-	-	282,997
Community Environment	528,996	-	-	-	528,996
Transportation	127,972	126,843	-	-	254,815
General Government	1,226,781	-	-	-	1,226,781
Capital Outlay	31,948	142,099	-	805,052	979,099
Debt Service:					
Principal Payment	-	-	3,890,589	3,716,932	7,607,521
Interest and Fiscal Charges	-	-	143,953	194,638	338,591
<b>Total Disbursements</b>	<b><u>3,323,694</u></b>	<b><u>272,423</u></b>	<b><u>4,034,542</u></b>	<b><u>4,716,622</u></b>	<b><u>12,347,281</u></b>
Receipts over(under) disbursements	<u>294,260</u>	<u>64,267</u>	<u>(3,340,411)</u>	<u>(4,464,128)</u>	<u>(7,446,012)</u>
Other Financing Sources (Uses)					
Sale of Notes	-	-	3,650,000	-	3,650,000
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,650,000</u></b>	<b><u>-</u></b>	<b><u>3,650,000</u></b>
<b>Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>294,260</b>	<b>64,267</b>	<b>309,589</b>	<b>(4,464,128)</b>	<b>(3,796,012)</b>
Fund Balance 1/1/2004	<u>84,624</u>	<u>355,266</u>	<u>18,971</u>	<u>5,258,775</u>	<u>5,717,636</u>
<b>Fund Balance 12/31/2004</b>	<b><u>\$ 378,884</u></b>	<b><u>\$ 419,533</u></b>	<b><u>\$ 328,560</u></b>	<b><u>\$ 794,647</u></b>	<b><u>\$ 1,921,624</u></b>
Reserve fo Encumbrances, December 31	<u>\$ 160,879</u>	<u>\$ 382,152</u>	<u>\$ -</u>	<u>\$ 743,522</u>	<u>\$ 1,286,553</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF OBETZ  
FRANKLIN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 3,297,246	-	\$ 3,297,246
Fines, Licenses and Permits	-	\$ 191,060	191,060
Total Operating Cash Receipts	<u>3,297,246</u>	<u>191,060</u>	<u>3,488,306</u>
Operating Cash Disbursements:			
Personal Services	334,383	-	334,383
Employee Fringe Benefits	111,162	-	111,162
Contractual Services	2,009,818	89,805	2,099,623
Supplies and Materials	66,155	-	66,155
Other	74,863	69,049	143,912
Capital Outlay	131,002	-	131,002
Total Operating Cash Disbursements	<u>2,727,383</u>	<u>158,854</u>	<u>2,886,237</u>
Operating Income (Loss)	569,863	32,206	602,069
Non-Operating Cash Receipts/(Disbursements)			
Property and Other Local Taxes	8,101	11,089	19,190
Redemption of Principal	(77,448)	-	(77,448)
Interest and Other Fiscal Charges	(95,166)	-	(95,166)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(164,513)</u>	<u>11,089</u>	<u>(153,424)</u>
Net Receipts (Under) Disbursements	405,350	43,295	448,645
Fund Cash Balances, January 1, 2004	<u>2,635,804</u>	<u>220,624</u>	<u>2,856,428</u>
Fund Cash Balances, December 31, 2004	<u>\$ 3,041,154</u>	<u>\$ 263,919</u>	<u>\$ 3,305,073</u>
Reserve fo Encumbrances, December 31	<u>\$ 181,661</u>	<u>\$ 187,803</u>	<u>\$ 369,464</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Obetz, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services including, street maintenance, water, sewer and electric utilities, park operations, and police protection services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. DEPOSITS AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposits, sweep account, and federal agency instruments are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

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

Governmental Fund Types:

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

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue fund:

- Street Construction Maintenance & Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Debt Service Funds: These funds are used to account for receipts that are restricted for the payment of Village debt. The Village had the following significant Debt Service Fund:

- General Obligation Fund – This fund receives tax money and is used to satisfy general debt obligations of the Village.

Capital Projects Fund: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

- West Obetz Storm Sewer Fund - This fund is used to for the expenditures associated with Phase I, II and III of a sewer improvement project.
- Toy Road TIF Fund – This fund receives loan proceeds to be used for capital improvements to Village roads.

Proprietary Fund Types:

Enterprise Funds: These funds account for operations that are similar to private business enterprises where management intends that the significant costs or providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise funds:

- Water Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.
- Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.
- Gas Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.
- Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.
- Water Improvement Fund – This fund is used for expenditures associated with improvements to the Village’s water system.
- Sewer Improvement Fund – This fund is used for expenditures associated with improvements to the Village’s sewer system.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D FUND ACCOUNTING - (Continued)

Fiduciary Fund Types:

Fiduciary Funds (Agency only): The agency fund is used to account for funds held by the Village in an agency capacity or agent for individuals or private organizations. The Village had the following significant Fiduciary Funds:

- Mayor's Court – This fund received monies for fees and fines related to traffic offenses.
- Engineering Civil Review and Inspections – This fund received monies for permits related to engineering and civil reviews on new construction for residential and commercial properties.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

a. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Clerk-Treasurer identifies increases or decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2004 and 2005.

Budget receipts, as shown in Note 6, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

a. Appropriations

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

b. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 6.



**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investment pool at December 31 was as follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$1,216,222	\$ 2,610,800
Money Market	3,083,362	16,248
Certificates of deposit	<u>600,000</u>	<u>600,000</u>
Total deposits	<u>4,899,584</u>	<u>3,227,048</u>
Federal Agency Instruments	<u>4,617,533</u>	<u>1,999,649</u>
Total Investments	<u>4,617,533</u>	<u>1,999,649</u>
Total deposits and investments	<u>\$9,517,117</u>	<u>\$ 5,226,697</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged the financial institution to the District.

**Investments:** Federal Agency Instruments are held in book-entry form by the Federal Reserve, in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of these securities. The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

Public utilities are also taxed on personal and real property located within the Village.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Franklin County Treasurer collects property tax on behalf of all taxing Villages within the county. The Franklin County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 2 percent on all earned income arising from employment within the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village monthly.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

5. DEFINED BENEFIT PENSION PLAN

The Village's law enforcement officers belong to the Ohio Police & Firemen's Disability & Pension Funds (OP&F). The Village's elected officials and other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2005.

6. BUDGETARY ACTIVITY

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,486,113	\$ 3,178,654	\$(307,459)
Special Revenue	723,250	393,873	(329,377)
Debt Service	3,832,000	3,787,565	(44,435)
Capital Projects	5,636,000	5,620,340	(15,660)
Enterprise	3,423,000	3,075,732	(347,268)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,785,472	\$ 2,801,576	\$ 983,896
Special Revenue	862,452	775,961	86,491
Debt Service	4,160,216	3,918,426	241,790
Capital Projects	6,405,356	5,947,424	457,932
Enterprise	4,045,819	3,172,916	872,903

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,902,597	\$ 3,617,954	\$ (284,643)
Special Revenue	611,000	336,690	(274,310)
Debt Service	8,220,000	4,344,131	(3,875,869)
Capital Projects	274,225	252,494	(21,731)
Enterprise	3,291,500	3,305,347	13,847

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

6. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,895,681	\$ 3,484,573	\$ 411,108
Special Revenue	804,481	654,575	149,906
Debt Service	4,177,000	4,034,542	142,458
Capital Projects	5,436,752	5,460,144	(23,392)
Enterprise	3,914,543	3,081,658	832,885

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (“PEP”), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed members’ deductibles.

*Casualty Coverage*

PEP retains casualty risks up to \$250,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

*Property Coverage*

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members’ Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

7. RISK MANAGEMENT – (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 (latest information available).

	<u>2005</u>	<u>2004</u>
Casualty Coverage		
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Net Assets	<u>\$13,725,507</u>	<u>\$13,557,131</u>

	<u>2005</u>	<u>2004</u>
Property Coverage		
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Net Assets	<u>\$3,375,087</u>	<u>\$3,108,199</u>

8. DEBT

Debt outstanding at December 31, 2005 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,395,366	6.12%
Ohio Public Works Commission Loans	251,147	0%
General Obligation Bonds	4,345,000	2.55%
General Obligation Bond Anticipation Note	8,400,000	2.2–5.0%
Hamilton Township (Fire Truck)	225,000	4.60%
Madison Township (Fire Truck)	225,000	3.97%
Hamilton Local School District	400,000	0%
Groveport Madison Local School District	<u>800,000</u>	0%
Total	<u>\$16,041,513</u>	

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

8. DEBT – (Continued)

The prior audit report debt footnote did not include the Ohio Public Works Commission loan.

The Ohio Water Development Authority (OWDA) loans relates to the construction of water and sewer lines at the Creekside Industrial Park. The loans will be repaid in semiannual installments over 16 years. These loans are collateralized by water and sewer receipts.

The Ohio Public Works Commission (OPWC) loan relates to engineering costs for the widening of Alum Creek Drive. This loan will be repaid in semiannual installments of \$6,261 over 20 years. This loan is collateralized by the full faith and credit of the Village.

In 2001, General Obligation Bonds totaling \$5,000,000 were issued to construct and equip two municipal buildings. The bonds are being repaid over 20 years, including interest. The bonds are secured by the full faith and credit of the Village.

At December 31, 2005 the Village had two-short term Bond Anticipation notes outstanding totaling \$8,400,000. The Village issued a note for \$5,350,000 at 5.00% to construct and widen Toy Road. The Village also issued a note for \$3,050,000 at 2.20 % for various construction projects within the Village. Both notes are backed by the full faith and credit of the Village. The Village has the authority to issue bonded debt to retire these issuances. These notes are due in 2006.

The Village settled a lawsuit with Groveport Madison Local Schools, Hamilton Local Schools, Madison Township and Hamilton Township. The lawsuit alleged that the Village unlawfully modified the Community Reinvestment Area and Agreement to the detriment of the Schools and Township. The Village, while not admitting to any wrongful acts, agreed to pay Groveport Madison Local Schools and Hamilton Local Schools, \$80,000 and \$40,000 respectively per year for ten years, beginning in 2006. However the future amounts due can be adjusted for modifications to the either school districts property tax millage. The Village also agreed to pay the note and interest for fire trucks for each Township. The total amount paid shall not exceed \$25,000 per year plus interest.

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

8. DEBT – (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>General Obligation Bonds</u>	<u>School Districts and Townships</u>
2006	\$253,510	\$12,522	\$ 388,208	\$ 180,860
2007	253,510	12,522	387,718	180,860
2008	253,510	12,522	386,613	180,860
2009	253,510	12,522	384,868	180,860
2010	253,510	12,522	387,750	180,860
2011-2015	1,065,170	62,610	1,929,565	843,440
2016-2020	592,950	62,610	1,934,439	-0-
2021-2025	592,950	62,610	782,751	-0-
2026-2027	<u>237,180</u>	<u>707</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$3,755,800</u>	<u>\$251,147</u>	<u>\$6,581,912</u>	<u>\$1,747,740</u>

9. CAPITALIZED LEASES

The Village has entered into two capitalized leases for a network printer and a street sweeper during 2002. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under capital leases and the present value of the minimum lease payments as of December 31, 2005.

Year Ending <u>December 31,</u>	<u>Long-Term Debt</u>
2006	\$ 8,148
2007	<u>8,148</u>
Total Minimum Lease Payments	\$16,296
Less: Amount Representing Interest	<u>(701)</u>
Present Value of Minimum Lease Payments	<u>\$15,595</u>

**VILLAGE OF OBETZ**  
**FRANKLIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

10. CONTINGENT LIABILITIES/ SUBSEQUENT EVENTS

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

11. CONSTRUCTION COMMITMENTS

As of December 31, 2005 the Village had contractual commitments for the following projects:

- Toy Road Construction                      \$ 4,073,535
- Westside Road Improvements              35,804



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Obetz  
Franklin County  
4175 Alum Creek Drive  
Obetz, Ohio 43207

To the Village Council:

We have audited the financial statements of the Village of Obetz, Franklin County, Ohio (Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 24, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 24, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 24, 2007.

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

***Charles E. Harris and Associates, Inc.***

February 24, 2007

VILLAGE OF OBETZ  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Mayor's Court does not prepare monthly reconciliations between its bank statements and cashbook.	YES	
2003-002	The Village failed to amend appropriations in the debt service fund, which had expenditures and commitments that exceeded appropriations by \$5,306,159 at December 31, 2003.	YES	
2003-003	In 2003, the Village had expenditures that exceeded appropriations in the debt service fund in the amount of \$5,306,159.	NO	Partially corrected, see Management Letter.
2003-004	The Council failed to reduce its estimated resources and therefore appropriated and expended funds which were not supported by current year available resources in 2002 and 2003.	YES	





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF OBETZ**

**FRANKLIN 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  
MAY 22, 2007**