

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

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, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 9, 2008

This Page is Intentionally Left Blank.

**VILLAGE OF OBETZ
FRANKLIN COUNTY
For the Years Ending December 31, 2007 and 2006**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – All Governmental Fund Types, For the Year Ended December 31, 2007	3
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, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – All Governmental Fund Types, For the Year Ended December 31, 2006	5
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, 2006	6
Notes to the Financial Statements	7-19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	20-21
Schedule of Findings	22-23
Schedule of Prior Audit Findings	24

This Page is Intentionally Left Blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

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

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, 2007 and 2006. 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006. 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 July 10, 2008, 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.
July 10, 2008

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, 2007

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Other Local Taxes	\$ 374,136	\$ 106,088	\$ -	\$ -	\$ 480,224
Municipal Income Taxes	3,188,900	-	480,000	240,000	3,908,900
Intergovernmental	309,050	618,370	144,315	-	1,071,735
Charges for Services	11,616	33,319	-	-	44,935
Fines, Licenses and Permits	451,164	18,167	-	-	469,331
Interest	335,731	8,441	14,098	16,086	374,356
Other	5,362	681	-	-	6,043
Total Receipts	<u>4,675,959</u>	<u>785,066</u>	<u>638,413</u>	<u>256,086</u>	<u>6,355,524</u>
Disbursements:					
Security of Persons & Property	1,194,337	3,517	-	-	1,197,854
Public Health Services	10,439	-	-	-	10,439
Leisure Time Activities	293,788	41,925	-	-	335,713
Community Environment	297,577	-	-	-	297,577
Transportation	101,279	151,355	-	-	252,634
General Government	1,147,992	-	-	-	1,147,992
Capital Outlay	523,694	444,184	-	433,882	1,401,760
Debt Service:					
Principal Payment	163,655	-	8,078,146	310,000	8,551,801
Interest and Fiscal Charges	25,956	180,000	602,538	-	808,494
Total Disbursements	<u>3,758,717</u>	<u>820,981</u>	<u>8,680,684</u>	<u>743,882</u>	<u>14,004,264</u>
Receipts over(under) disbursements	<u>917,242</u>	<u>(35,915)</u>	<u>(8,042,271)</u>	<u>(487,796)</u>	<u>(7,648,740)</u>
Other Financing Sources (Uses)					
Sale of Notes	-	-	8,185,000	-	8,185,000
Other Financing Uses	-	-	(20,187)	-	(20,187)
Advances in	-	10,000	-	-	10,000
Advances out	(10,000)	-	-	-	(10,000)
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>10,000</u>	<u>8,164,813</u>	<u>-</u>	<u>8,164,813</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	907,242	(25,915)	122,542	(487,796)	516,073
Fund Balance 1/1/2007	<u>1,607,914</u>	<u>375,713</u>	<u>201,374</u>	<u>639,634</u>	<u>2,824,635</u>
Fund Balance 12/31/2007	<u>\$ 2,515,156</u>	<u>\$ 349,798</u>	<u>\$ 323,916</u>	<u>\$ 151,838</u>	<u>\$ 3,340,708</u>
Reserve fo Encumbrances, December 31	<u>\$ 87,694</u>	<u>\$ 12,119</u>	<u>\$ -</u>	<u>\$ 18,548</u>	<u>\$ 118,361</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, 2007

	<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	\$ 4,609,602	-	\$ 4,609,602
Fines, Licenses and Permits	-	\$ 65,091	65,091
Miscellaneous	14,623	-	14,623
Total Operating Cash Receipts	<u>4,624,225</u>	<u>65,091</u>	<u>4,689,316</u>
Operating Cash Disbursements:			
Personal Services	271,939	-	271,939
Employee Fringe Benefits	71,526	-	71,526
Contractual Services	2,784,145	89,277	2,873,422
Supplies and Materials	54,512	3,743	58,255
Other	42,891	10,115	53,006
Capital Outlay	196,601	-	196,601
Total Operating Cash Disbursements	<u>3,421,614</u>	<u>103,135</u>	<u>3,524,749</u>
Operating Income (Loss)	1,202,611	(38,044)	1,164,567
Non-Operating Cash Receipts/(Disbursements)			
Property and Other Local Taxes	-	17,840	17,840
Redemption of Principal	(92,555)	-	(92,555)
Interest and Other Fiscal Charges	(80,059)	-	(80,059)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(172,614)</u>	<u>17,840</u>	<u>(154,774)</u>
Net Receipts (Under) Disbursements	1,029,997	(20,204)	1,009,793
Fund Cash Balances, January 1, 2007	<u>3,205,560</u>	<u>464,100</u>	<u>3,669,660</u>
Fund Cash Balances, December 31, 2007	<u>\$ 4,235,557</u>	<u>\$ 443,896</u>	<u>\$ 4,679,453</u>
Reserve fo Encumbrances, December 31	<u>\$ 782,866</u>	<u>\$ 248,899</u>	<u>\$ 1,031,765</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, 2006

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Other Local Taxes	\$ 330,916	\$ 85,905	\$ -	\$ -	\$ 416,821
Municipal Income Taxes	2,664,125	-	480,000	240,000	3,384,125
Intergovernmental	267,773	566,801	144,502	300,000	1,279,076
Charges for Services	11,285	-	-	-	11,285
Fines, Licenses and Permits	464,187	89,601	-	-	553,788
Interest	231,587	9,929	11,563	89,513	342,592
Other	7,113	1,975	-	-	9,088
Total Receipts	<u>3,976,986</u>	<u>754,211</u>	<u>636,065</u>	<u>629,513</u>	<u>5,996,775</u>
Disbursements:					
Security of Persons & Property	1,166,405	2,227	-	-	1,168,632
Public Health Services	10,183	-	-	-	10,183
Leisure Time Activities	301,277	-	-	-	301,277
Community Environment	251,615	-	-	-	251,615
Transportation	99,412	145,792	-	-	245,204
General Government	1,009,118	9,365	-	-	1,018,483
Capital Outlay	269,289	674,582	-	4,339,367	5,283,238
Debt Service:					
Principal Payment	99,059	-	8,352,521	240,000	8,691,580
Interest and Fiscal Charges	8,904	-	645,519	-	654,423
Total Disbursements	<u>3,215,262</u>	<u>831,966</u>	<u>8,998,040</u>	<u>4,579,367</u>	<u>17,624,635</u>
Receipts over(under) disbursements	<u>761,724</u>	<u>(77,755)</u>	<u>(8,361,975)</u>	<u>(3,949,854)</u>	<u>(11,627,860)</u>
Other Financing Sources (Uses)					
Sale of Notes	-	-	8,177,802	12,198	8,190,000
Other Financing Uses	-	-	(7,152)	-	(7,152)
Other Financing Sources	-	-	195,000	-	195,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,365,650</u>	<u>12,198</u>	<u>8,377,848</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	761,724	(77,755)	3,675	(3,937,656)	(3,250,012)
Fund Balance 1/1/2006	<u>846,190</u>	<u>453,468</u>	<u>197,699</u>	<u>4,577,290</u>	<u>6,074,647</u>
Fund Balance 12/31/2006	<u>\$ 1,607,914</u>	<u>\$ 375,713</u>	<u>\$ 201,374</u>	<u>\$ 639,634</u>	<u>\$ 2,824,635</u>
Reserve fo Encumbrances, December 31	<u>\$ 203,295</u>	<u>\$ 113,347</u>	<u>\$ -</u>	<u>\$ 332,579</u>	<u>\$ 649,221</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, 2006

	<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	\$ 3,475,515	-	\$ 3,475,515
Fines, Licenses and Permits	-	\$ 121,653	121,653
Miscellaneous	4,028	-	4,028
Total Operating Cash Receipts	<u>3,479,543</u>	<u>121,653</u>	<u>3,601,196</u>
Operating Cash Disbursements:			
Personal Services	289,392	-	289,392
Employee Fringe Benefits	73,575	-	73,575
Contractual Services	2,520,859	77,617	2,598,476
Supplies and Materials	62,445	-	62,445
Other	74,384	8,106	82,490
Capital Outlay	109,558	-	109,558
Total Operating Cash Disbursements	<u>3,130,213</u>	<u>85,723</u>	<u>3,215,936</u>
Operating Income (Loss)	349,330	35,930	385,260
Non-Operating Cash Receipts/(Disbursements)			
Property and Other Local Taxes	-	14,543	14,543
Redemption of Principal	(87,217)	-	(87,217)
Interest and Other Fiscal Charges	(85,396)	-	(85,396)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(172,613)</u>	<u>14,543</u>	<u>(158,070)</u>
Net Receipts (Under) Disbursements	176,717	50,473	227,190
Fund Cash Balances, January 1, 2006	<u>3,028,843</u>	<u>413,627</u>	<u>3,442,470</u>
Fund Cash Balances, December 31, 2006	<u>\$ 3,205,560</u>	<u>\$ 464,100</u>	<u>\$ 3,669,660</u>
Reserve fo Encumbrances, December 31	<u>\$ 178,166</u>	<u>\$ 276,352</u>	<u>\$ 454,518</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, 2007 and 2006

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, 2007 and 2006

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, 2007 and 2006

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, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING - (Continued)

Fiduciary Fund Types:

Agency Funds: 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, 2007 and 2006

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 2006 and 2007.

Budget receipts, as shown in Note 6, do not include the unencumbered fund balances as of January 1, 2006 and 2007. However, those fund balances are available for appropriation.

b. 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.

c. 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 2007 and 2006 budgetary activity appears in Note 6.

VILLAGE OF OBETZ
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

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>2007</u>	<u>2006</u>
Demand deposits	\$1,767,165	\$ 557,695
Money Market	747,359	741,098
Certificates of deposit	<u>-0-</u>	<u>100,000</u>
Total deposits	2,514,524	1,398,793
Federal Agency Instruments	<u>5,505,637</u>	<u>5,095,502</u>
Total Investments	<u>5,505,637</u>	<u>5,095,502</u>
Total deposits and investments	<u>\$8,020,161</u>	<u>\$ 6,494,295</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, 2007 and 2006

3. PROPERTY TAXES

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.

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.

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

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

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.

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.

VILLAGE OF OBETZ
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

5. DEFINED BENEFIT PENSION PLAN – (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, 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. For 2007 and 2006, OPERS members contributed 9.5 percent and 9.0 percent, respectively, of their wages. During 2007 and 2006 the Village contributed an amount equal to 13.85 percent and 13.70 percent, respectively, of participants' gross wages. The Village has paid all contributions required through December 31, 2007.

6. BUDGETARY ACTIVITY

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,435,721	\$ 4,675,959	\$ 240,238
Special Revenue	882,291	785,066	(97,225)
Debt Service	9,100,000	8,823,413	(276,587)
Capital Projects	335,000	256,086	(78,914)
Enterprise	4,369,500	4,624,225	254,725

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,831,113	\$ 3,846,411	\$ 984,702
Special Revenue	1,154,397	833,100	321,297
Debt Service	9,250,000	8,680,684	569,316
Capital Projects	862,579	762,430	100,149
Enterprise	5,608,183	4,377,094	1,231,089

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,252,155	\$ 3,976,986	\$ 724,831
Special Revenue	766,250	754,211	(12,039)
Debt Service	9,125,650	9,008,867	(116,783)
Capital Projects	590,000	641,711	51,711
Enterprise	3,472,000	3,479,543	7,543

VILLAGE OF OBETZ
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

6. BUDGETARY ACTIVITY – (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,930,836	\$ 3,418,557	\$ 512,279
Special Revenue	1,107,273	945,313	161,960
Debt Service	9,275,000	9,005,192	269,808
Capital Projects	5,101,851	4,911,946	189,905
Enterprise	4,546,173	3,480,992	1,065,181

The budgetary analysis does not include advances as they were not budgeted.

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, 2007 and 2006

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>2006</u>
Casualty Coverage		
Assets	\$29,719,675	\$30,997,868
Liabilities	(15,994,168)	(15,875,741)
Net Assets	<u>\$13,725,507</u>	<u>\$15,122,127</u>

	<u>2005</u>	<u>2006</u>
Property Coverage		
Assets	\$4,443,332	\$5,125,326
Liabilities	(1,068,245)	(863,163)
Net Assets	<u>\$3,375,087</u>	<u>\$4,262,163</u>

8. DEBT

Debt outstanding at December 31, 2007 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,215,594	6.12%
Ohio Public Works Commission Loans	225,480	0%
General Obligation Bonds	3,980,000	2.55%
General Obligation Bond Anticipation Note	8,185,000	3.48–3.75%
Hamilton Township (Fire Truck)	185,274	4.60%
Madison Township (Fire Truck)	177,867	3.97%
Hamilton Local School District	302,132	0%
Groveport Madison Local School District	<u>722,013</u>	0%
Total	<u>\$14,993,360</u>	

VILLAGE OF OBETZ
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

8. DEBT – (Continued)

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, 2007 the Village had two-short term Bond Anticipation notes outstanding totaling \$8,185,000. The Village issued a note for \$5,735,000 at 3.75% to construct and widen Toy Road. The Village also issued a note for \$2,450,000 at 3.48 % 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.

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, 2007 and 2006

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>
2008	\$177,613	\$12,521	\$ 386,613	\$ 165,231
2009	177,613	12,521	384,868	165,231
2010	177,613	12,521	387,750	165,231
2011	177,613	12,521	385,913	165,231
2012	177,613	12,521	385,913	165,231
2013-2017	776,759	62,605	1,931,515	530,462
2018-2022	-0-	62,605	1,943,414	-0-
2023-2027	<u>-0-</u>	<u>38,290</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$1,664,824</u>	<u>\$226,105</u>	<u>\$ 5,805,986</u>	<u>\$1,356,617</u>

9. CAPITALIZED LEASES

The Village has entered into a capitalized lease for a network printer and a copier during 2006.

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, 2007.

Year Ending <u>December 31,</u>	Long-Term <u>Debt</u>
2008	\$ 8,916
2009	8,916
2010	<u>8,916</u>
Total Minimum Lease Payments	\$26,748
Less Amount Representing Interest	<u>(3,059)</u>
Present Value of Minimum Lease Payments	<u>\$23,689</u>

VILLAGE OF OBETZ
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

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. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. code Section 5705.36**, the Village did not request an amended certificate of resources when it was determined that collections would be less than the budgeted amount.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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
Village Hall
9 West Main Street
Obetz, Ohio 43756

To the Village Council:

We have audited the financial statements of the Village of Obetz, Franklin County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 10, 2008, 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 the 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We do consider the item described in the accompanying Schedule of Findings, item 2007-VOFC-002 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do believe the item described above to be a material weakness.

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, grants 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-VOFC-001.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Charles E. Harris & Associates, Inc.

July 10, 2008

**VILLAGE OF OBETZ
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 & 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2007-VOFC-001

Noncompliance Citation

Ohio Revised Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following funds had actual revenues and beginning unencumbered balances that were less than appropriations:

2006	Variance
Debt Service Fund	
General Obligation	\$(75,586)

2007	Variance
Special Revenue Fund	
Street	\$(55,074)
Athletics & Concessions	(1,681)
Debt Service Fund	
General Obligation	(245,400)
Capital Projects Fund	
Toy Road TIF	(80,580)

By not amending its certificate of estimated resources, the Village cannot make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village Council should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

The Clerk-Treasurer will review budgetary requirements and implement as necessary.

**VILLAGE OF OBETZ
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 & 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2007-VOFC-002

Bank Reconciliations – Material Weakness

As an established control procedure all bank accounts should be reconciled monthly in a timely fashion. During the audit period it was found that the Mayor's Court Clerk was not reconciling the Mayor's Court checking account.

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as the Mayor. The Mayor should review the monthly reconciliations to provide assurance that the amounts reported are accurate. The Mayor also should sign and date the reconciliations as evidence the review has been performed.

The Mayor's Court Clerk will reconcile the Mayor's Court checking account monthly.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit, for the years ended December 31, 2005 and 2004, reported no material citations or recommendations.



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
NOVEMBER 6, 2008