

Village of Obetz

Franklin County

Regular Audit

January 1 , 2002 Through December 31, 2002

Single Audit

January 1 , 2003 Through December 31, 2003

Fiscal Years Audited Under GAGAS: 2003 & 2003

BALESTRA, HARR & SCHERER CPAs, INC.
CERTIFIED PUBLIC ACCOUNTANTS
528 South West Street, P.O. Box 687
Piketon, Ohio 45661



**Auditor of State
Betty Montgomery**

Members of Council
Village of Obetz

We have reviewed the Independent Auditor's Report of the Village of Obetz, Franklin County, prepared by Balestra, Harr & Scherer CPAs, Inc. for the audit period January 1, 2002 through December 31, 2003. 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 Village of Obetz is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 21, 2004

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VILLAGE OF OBETZ
FRANKLIN COUNTY

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR-S REPORT

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

We have audited the accompanying financial statements of the Village of Obetz, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. 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 *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 opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, Ohio, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures, for the year ended December 31, 2003, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Village of Obetz
Independent Auditor's Report
Page 2

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer CPAs, Inc.

Balestra, Harr & Scherer CPAs, Inc.

May 18, 2004

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, 2003

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts					
Local Taxes	\$2,702,749	\$14,976	\$555,007	\$345,000	\$3,617,732
Intergovernmental	256,094	206,000	157,541	426,684	1,046,319
Charges for services	11,214	0	0	0	11,214
Fines, licenses, and permits	134,582	12,251	0	0	146,833
Interest	88,279	1,611	0	4,489	94,379
Miscellaneous	13,821	2,419	0	0	16,240
Total cash receipts	3,206,739	237,257	712,548	776,173	4,932,717
Cash disbursements					
Current					
Security of persons and property	1,304,221	4,450	0	0	1,308,671
Public health services	21,186	0	0	0	21,186
Leisure time activities	348,121	3,874	0	0	351,995
Community environment	623,051	0	0	0	623,051
Transportation	269,344	84,102	0	0	353,446
General government	1,717,542	0	0	0	1,717,542
Capital outlay	311,252	96,693	0	1,786,237	2,194,182
Debt service	0	0	8,656,159	0	8,656,159
Total cash disbursements	4,594,717	189,119	8,656,159	1,786,237	15,226,232
Total receipts over/(under) cash disbursements	(1,387,978)	48,138	(7,943,611)	(1,010,064)	(10,293,515)
Other financing receipts/(disbursements):					
Sale of notes	0	0	7,425,000	4,870,000	12,295,000
Total other financing receipts/(disbursements)	0	0	7,425,000	4,870,000	12,295,000
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements					
	(1,387,978)	48,138	(518,611)	3,859,936	2,001,485
Fund cash balances, January 1, 2003	1,472,602	307,128	537,582	1,398,839	3,716,151
Fund cash balances, December 31, 2003	<u>\$84,624</u>	<u>\$355,266</u>	<u>\$18,971</u>	<u>\$5,258,775</u>	<u>\$5,717,636</u>
Reserve for encumbrances, December 31, 2003	<u>\$185,658</u>	<u>\$355,581</u>	<u>\$0</u>	<u>\$472,663</u>	<u>\$1,013,902</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF OBETZ
FRANKLIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUND TYPE AND FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Totals (Memorandum Only)
Operating cash receipts			
Charges for services	\$3,019,889	\$0	\$3,019,889
Total operating cash receipts	3,019,889	0	3,019,889
Operating cash disbursements			
Personal services	299,734	0	299,734
Employee fringe benefits	114,598	0	114,598
Contractual services	1,909,708	93,809	2,003,517
Supplies and materials	76,790	0	76,790
Capital outlay	335,706	0	335,706
Miscellaneous	42,491	74,287	116,778
Total operating cash disbursements	2,779,027	168,096	2,947,123
Operating income/(loss)	240,862	(168,096)	72,766
Non-operating cash receipts			
Local taxes	3,627	16,881	20,508
Fines, licenses & permits	0	204,720	204,720
Total non-operating cash receipts	3,627	221,601	225,228
Non-operating cash disbursements			
Miscellaneous	0	(49,816)	(49,816)
Debt service	(172,614)	0	(172,614)
Total non-operating cash disbursements	(172,614)	(49,816)	(222,430)
Net receipts over/(under) disbursements	71,875	3,689	75,564
Fund cash balances, January 1, 2003	2,563,929	216,935	2,780,864
Fund cash balances, December 31, 2003	\$2,635,804	\$220,624	\$2,856,428
Reserve for encumbrances, December 31, 2003	\$120,931	\$104,574	\$225,505

The notes to the financial statements are an integral part of this statement.

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, 2002

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts					
Local Taxes	\$2,649,518	\$13,235	\$480,000	\$420,000	\$3,562,753
Intergovernmental	282,533	334,457	129,896	28,381	775,267
Charges for services	11,218	0	0	0	11,218
Fines, licenses, and permits	178,613	34,950	0	0	213,563
Interest	57,939	3,029	6,690	44,332	111,990
Miscellaneous	40,515	532	0	0	41,047
Total cash receipts	3,220,336	386,203	616,586	492,713	4,715,838
Cash disbursements					
Current					
Security of persons and property	1,158,807	4,581	0	0	1,163,388
Public health services	21,065	0	0	0	21,065
Leisure time activities	336,003	77,501	0	0	413,504
Community environment	441,538	0	0	0	441,538
Transportation	256,791	53,507	0	0	310,298
General government	1,294,882	0	0	0	1,294,882
Capital outlay	145,068	298,534	0	5,084,803	5,528,405
Debt service	0	0	3,139,769	0	3,139,769
Total cash disbursements	3,654,154	434,123	3,139,769	5,084,803	12,312,849
Total receipts over/(under) cash disbursements	(433,818)	(47,920)	(2,523,183)	(4,592,090)	(7,597,011)
Other financing receipts/(disbursements):					
Sale of notes	0	0	2,705,000	430,000	3,135,000
Total other financing receipts/(disbursements)	0	0	2,705,000	430,000	3,135,000
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(433,818)	(47,920)	181,817	(4,162,090)	(4,462,011)
Fund cash balances, January 1, 2002,(Restated See Note 12)	1,906,420	355,048	355,765	5,560,929	8,178,162
Fund cash balances, December 31, 2002	<u>\$1,472,602</u>	<u>\$307,128</u>	<u>\$537,582</u>	<u>\$1,398,839</u>	<u>\$3,716,151</u>
Reserve for encumbrances, December 31, 2002	<u>\$235,868</u>	<u>\$382,776</u>	<u>\$0</u>	<u>\$830,523</u>	<u>\$1,449,167</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF OBETZ
FRANKLIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUND TYPE AND FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Totals (Memorandum Only)
Operating cash receipts			
Charges for services	\$3,191,629	\$0	\$3,191,629
Total operating cash receipts	3,191,629	0	3,191,629
Operating cash disbursements			
Personal services	261,682	0	261,682
Employee fringe benefits	109,270	0	109,270
Contractual services	1,716,992	60,988	1,777,980
Supplies and materials	57,662	12,976	70,638
Capital outlay	373,941	0	373,941
Miscellaneous	132,325	4,707	137,032
Total operating cash disbursements	2,651,872	78,671	2,730,543
Operating income/(loss)	539,757	(78,671)	461,086
Non-operating cash receipts			
Local taxes	4,177	17,997	22,174
Interest	15,686	0	15,686
Fines, licenses & permits	0	160,047	160,047
Total non-operating cash receipts	19,863	178,044	197,907
Non-operating cash disbursements			
Miscellaneous	0	(48,932)	(48,932)
Debt service	(172,879)	0	(172,879)
Total non-operating cash disbursements	(172,879)	(48,932)	(221,811)
Excess of receipts over/(under) disbursements before transfers	386,741	50,441	437,182
Transfers - In	0	8,100	8,100
Transfers - Out	(8,100)	0	(8,100)
Net receipts over/(under) disbursements	378,641	58,541	437,182
Fund cash balances, January 1, 2002,(Restated See Note 12)	2,185,288	158,394	2,343,682
Fund cash balances, December 31, 2002	<u>\$2,563,929</u>	<u>\$216,935</u>	<u>\$2,780,864</u>
Reserve for encumbrances, December 31, 2002	<u>\$314,732</u>	<u>\$108,250</u>	<u>\$422,982</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Obetz, Franklin County, (the Village) is a body politic and corporate established to exercise 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. A Village Clerk is responsible for fiscal control of the resources of the Village. The Village provides general governmental services, including water, sewer, electric utilities, park operations (leisure time activities) and police services. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of 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).

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

C. CASH AND INVESTMENTS

Cash and investments, comprising of overnight sweep accounts, are accounted for and presented in the footnotes at cost.

Investments are reported as assets. Accordingly, purchase 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.

D. FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

GOVERNMENTAL FUND TYPE:

General Fund

The General Fund is 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 of specific revenue sources (other than from expendable trusts or for major capital projects) that are legally restricted to disbursements for specified purposes. The Village had the following significant Special Revenue Fund:

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

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

GOVERNMENTAL FUND TYPE: (continued)

Debt Service Funds

The debt service fund is used to account for the accumulation of resources for the payment of bonds and note indebtedness. 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 Project Funds

These funds are 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 project funds:

Municipal Complex Construction Fund - This fund is used for the expenditures associated with the construction of the new Village office.

West Obetz Storm Sewer Fund - This fund is used for the expenditures associated with Phase I, II and III of a sewer improvement project.

PROPRIETARY FUND TYPE:

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant cost of providing goods and services will be recovered through user charges. The Village had the following significant enterprise funds:

Water Operating Fund - Receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - Receives charges for services from residents to cover the cost of providing this utility.

Electric Operating Fund - Receives charges for services from residents to cover the cost of providing this utility.

FIDUCIARY FUND TYPES (Agency Funds):

Funds for which the Village is acting in an agency capacity are classified as agency funds. 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 receives monies for permits related to engineering and civil reviews on new construction for residential and commercial properties.

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand Deposits	\$ (71,446)	\$ (31,179)
Total Deposits	<u>(71,446)</u>	<u>(31,179)</u>
Repurchase Agreement	<u>8,645,510</u>	<u>6,528,194</u>
Total Investments	<u>8,645,510</u>	<u>6,528,194</u>
Total Deposits and Investments	<u>\$8,574,064</u>	<u>\$6,497,015</u>

Deposits were either insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

The overnight sweep account is held in the name of the Village's financial institution and is either collateralized by a specific security pledged by the financial institution or collateralized by the financial institutions public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 was as follows:

2003 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,944,206	\$ 3,206,739	\$ (737,467)
Special Revenue	967,000	237,257	(729,743)
Debt Service	8,570,000	8,137,548	(432,452)
Capital Projects	5,324,452	5,646,173	321,721
Enterprise	<u>3,575,000</u>	<u>3,023,516</u>	<u>(551,484)</u>
Total	<u>\$22,380,658</u>	<u>\$20,251,233</u>	<u>\$(2,129,425)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 5,360,337	\$ 4,780,375	\$ 579,962
Special Revenue	776,088	544,700	231,388
Debt Service	3,350,000	8,656,159	(5,306,159)
Capital Projects	5,730,523	2,258,900	3,471,623
Enterprise	<u>3,919,051</u>	<u>3,072,572</u>	<u>846,479</u>
Total	<u>\$19,135,999</u>	<u>\$ 19,312,706</u>	<u>\$(176,707)</u>

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(continued)

3. BUDGETARY ACTIVITY (continued)

2002 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,933,150	\$ 3,220,336	\$ (712,814)
Special Revenue	876,000	386,203	(489,797)
Debt Service	3,280,000	3,321,586	41,586
Capital Projects	3,176,606	922,713	(2,253,893)
Enterprise	<u>3,121,000</u>	<u>3,211,492</u>	<u>90,492</u>
Total	<u>\$14,386,756</u>	<u>\$11,062,330</u>	<u>\$(3,324,426)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 4,279,285	\$ 3,890,022	\$ 389,263
Special Revenue	873,807	816,899	56,908
Debt Service	3,350,000	3,139,769	210,231
Capital Projects	8,249,827	5,915,326	2,334,501
Enterprise	<u>3,247,580</u>	<u>3,139,483</u>	<u>108,097</u>
Total	<u>\$20,000,499</u>	<u>\$16,901,499</u>	<u>\$3,099,000</u>

The preceding budgetary presentations represent Council approved appropriations and estimated resources for the years 2003 and 2002.

The Village expended monies in excess of appropriations which was not in compliance with Ohio Revised Code Section 5705.41(B).

The Council failed to reduce their estimated resources which was not in compliance with Ohio Revised Code Section 5705.36.

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(continued)

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,551,001	6.12%
General Obligation Bonds 2001	<u>4,690,000</u>	2.55%
Total	<u>\$ 6,241,001</u>	

The Ohio Water Development Authority (OWDA) loans relates to the construction of water and sewer lines at Creekside Industrial Park. The OWDA has approved up to \$2,049,359 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$86,306.88, including interest, over 16 years. The scheduled payment amount below is based on \$1,730,120 principal balance borrowed as of 1/1/2002. The repayment of these notes will be funded by water and sewer user charges.

In 2001, the Village issued General Obligation Bonds totaling \$5,000,000 which relates to paying costs of constructing, equipping and furnishing two municipal buildings to house offices and functions of the Village. The bonds will be repaid over 20 years, including interest. The bonds are secured by the full faith and credit of the Village General Fund.

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

<u>Year ending December 31</u>	<u>OWDA Loans</u>	<u>2001 General Obligation Bonds</u>
2004	\$ 86,307	\$ 387,530
2005	172,614	388,195
2006	172,614	388,208
2007	172,614	387,718
2008	172,614	386,613
Subsequent	<u>776,762</u>	<u>5,419,367</u>
Total	<u>\$1,553,525</u>	<u>\$7,357,631</u>

The Village has short-term debt in the form of notes payable to Fifth Third Bank.

At December 31, 2003, the Village had two short-term Bond Anticipation Notes outstanding totaling \$7,425,000. On December 11, 2003, a \$1,200,000 note was issued at a 1.70% interest rate. The proceed was issued for the purpose of paying costs of constructing, widening, curbing, paying and otherwise improving Toy Road, Alum Creek Drive, Rohr Road and other streets within the Village. Also, on December 11, 2003 a \$6,225,000 note was issued at a 1.65% interest rate. The proceed was issued for the purpose of paying costs of constructing, widening, curbing, paving, and otherwise improving Toy Road, Alum Creek Drive, Rohr Road and other streets within the Village. The Village has the authority to issue bonded debt to retire these issuances.

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(continued)

6. CAPITALIZED LEASES

The Village has entered into two capitalized leases for a network printer and a street sweeper during 2002. The terms of the agreements provide options to purchase the equipment. 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 the capital leases and the present value of the minimum lease payments as of December 31, 2003.

<u>Year Ending</u> <u>December 31,</u>	<u>Long-Term</u> <u>Debt</u>
2004	\$34,646
2005	34,646
2006	8,148
2007	<u>8,148</u>
Total Minimum Lease Payments	\$85,588
Less: Amount Representing Interest	<u>(3,725)</u>
Present Value of Minimum Lease Payments	<u>\$81,863</u>

7. RETIREMENT SYSTEM

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, 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 2003 and 2002, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.31% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public officials liability
- Vehicle
- Boiler

The Village also provides health insurance through Central Ohio Health Care Consortium. Dental and vision coverage are provided to full-time employees through a private carrier. Premium payments are made contractually to the provider by the Village for this coverage.

The Village has not incurred significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

VILLAGE OF OBETZ
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(continued)

9. CONDUIT DEBT OBLIGATIONS

The Village of Obetz has issued Industrial Revenue Bonds to provide financial assistance to Dennis Enterprises Limited Partnership and HFI Incorporated, (the borrower) for the acquisition, renovation, constructing, equipping and installing the borrower's manufacturing facility which is deemed to be in the public interest. The bonds are payable solely from payments of the borrowers. The Village is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2003, the Industrial Revenue Bonds outstanding were an aggregate principal amount of \$1.255 million.

10. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

The Village is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Village's counsel that 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, 2003 the Village had contractual purchase commitments for the following projects and in the following amounts:

<u>Project</u>	<u>Purchase Commitments</u>	<u>Payments Made</u>	<u>Amount Remaining on Contract</u>
Historic Preservation & Enhancement Phase IIA	\$ 137,897	\$ 134,778	\$ 3,119
Historic Preservation & Enhancement Phase IIB	259,067	65,227	193,840
Historic Preservation & Enhancement Phase III	143,988	53,026	90,962
Obetz Junction Center Improvements Phase I	226,944	219,451	7,493
Kleinline Lane Water Line & Sanitary Sewer	268,118	234,009	34,109

12. RESTATEMENT OF FUND CASH BALANCES

In the prior year the Village reported its Mayor's Court Improvement Fund and Police Improvement Fund as agency funds rather than special revenue funds. These reclassifications had the following effect on fund cash balances as they were previously reported as of December 31, 2001.

	<u>Special Revenue</u>	<u>Agency</u>
Fund Cash Balance at December 31, 2001	\$327,862	\$185,580
Reclassification Amount	<u>27,186</u>	<u>(27,186)</u>
Restated Fund Cash Balance at January 1, 2002	<u>\$355,048</u>	<u>\$158,394</u>

Village of Obetz

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Development				
<i>Passed through the Franklin County Community & Economic Development Department</i>				
Community Development Block Grant	NA	14.228	\$414,375	\$414,375
Federal Emergency Management Agency				
<i>Passed through the Ohio Emergency Management Agency</i>				
Emergency Management Performance Grant	NA	97.042	4,159	4,159
Total Federal Financial Assistance			<u>\$418,534</u>	<u>\$418,534</u>

NA - Pass Through Entity Number is Not Available
See Accompanying Notes to the Schedule of Federal Awards Expenditures

**VILLAGE OF OBETZ
FRANKLIN COUNTY
DECEMBER 31, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the accompanying financial statements of the Village of Obetz, Franklin County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 18, 2004. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 and grants, 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 instances of noncompliance that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs at items 2003-002, 2003-003 and 2003-004. We also noted certain immaterial instances of noncompliance which we have reported to the management of the Village of Obetz in a separate letter dated May 18, 2004.

Internal Control 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village in a separate letter dated May 18, 2004.

Village of Obetz

Franklin County

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*

Page 2

This report is intended solely for the information and use of management, members of Council and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

May 18, 2004

BALESTRA, HARR & SCHERER CPAs, INC.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Village of Obetz with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. Village of Obetz's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village of Obetz's management. Our responsibility is to express an opinion on the Village of Obetz's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Obetz's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Obetz's compliance with those requirements.

In our opinion, the Village of Obetz complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of the Village of Obetz is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Obetz's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of Obetz

Franklin County

Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. However, we noted an other matter involving internal control, which we have reported to the management of the Village in a separate letter dated May 18, 2004.

This report is intended solely for the information and use of the audit committee, management, members of Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

May 18, 2004

**VILLAGE OF OBETZ
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF AUDITORS RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant, CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**VILLAGE OF OBETZ
FRANKLIN COUNTY
DECEMBER 31, 2003 & 2002**

SCHEDULE OF FINDINGS

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

Finding Number	2003-001
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Monthly Reconciliations

The Mayor's Court does not prepare a monthly reconciliation between its bank statements and the cashbook. Discrepancies were noted between these documents during test work. The Court should prepare a monthly reconciliation and remit all funds to the proper governments.

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The Mayor's Clerk will prepare monthly reconciliations between the source documents and transmit collections to the proper governments timely.	12/31/2004	Anne Warner, Clerk of Court

Finding Number	2003-002
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Citation

Section 5705.40, Ohio Revised Code, states in part that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. 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.

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-002	The Village Council will monitor appropriations more closely and file amended appropriations as necessary to comply with the Ohio Revised Code.	12/31/2004	Donna Hubner, Village Clerk

**VILLAGE OF OBETZ
FRANKLIN COUNTY
DECEMBER 31, 2003 & 2002**

SCHEDULE OF FINDINGS

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

(CONTINUED)

Finding Number	2003-003
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Citation

Section 5705.41(B), Ohio Revised Code, states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2003, the Village had expenditures that exceeded appropriations in the debt service fund in the amount of \$5,306,159.

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-003	The Village Council will monitor appropriations more closely and file amended appropriations as necessary to comply with the Ohio Revised Code.	12/31/2004	Donna Hubner, Village Clerk

Finding Number	2003-004
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Citation

Section 5705.36, Ohio Revised Code, states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The Council failed to reduce its estimated resources, and therefore appropriated and expended the following funds which were not supported by current year available resources: 2002 – Special Revenue \$75,648, 2003 – General Fund \$101,034.

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-004	The Village Council will monitor estimated resources more closely and file amendments as necessary to comply with the Ohio Revised Code.	12/31/2004	Donna Hubner, Village Clerk

**VILLAGE OF OBETZ
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

**VILLAGE OF OBETZ
FRANKLIN COUNTY
DECEMBER 31, 2003 & 2002**

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Findings No Longer Valid; <i>Explain:</i>
2001-001	ORC, Section 5705.39	Yes	
2001-002	Monthly Reconciliations	No	Not corrected. See current year finding 2003-001. Original finding issued in 2000.

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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
JULY 1, 2004**