



**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Groveport
Franklin County
655 Blacklick Street
Groveport, Ohio 43125

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Groveport, Franklin County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 our audit provides a reasonable basis for our opinions.

We were not able to obtain sufficient competent evidence to support the completeness of capital assets for the Governmental Activities (86% of assets), Business-Type Activities (80% of assets), the Water Fund (88% of assets), and the Sewer Fund (76% of assets) nor were we able to satisfy ourselves by other auditing procedures. Furthermore, we were unable to obtain sufficient competent evidence to support the completeness of charge for services revenues for the Business-Type Activities (100% of operating revenues), Sewer Fund (100% of operating revenues), and Water Fund (100% of operating revenues), nor were we able to satisfy ourselves by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding the capital assets and charge for services revenue, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Groveport, Franklin County, Ohio as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 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 the 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 3, 2008

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The management's discussion and analysis of the Village of Groveport's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the Village increased \$1,275,283. Net assets of governmental activities increased \$1,126,369 or 17.01% since 2004 and net assets of business-type activities increased \$148,914 or 1.60% since 2004.
- General revenues accounted for \$8,811,109 of total governmental activities revenue. Program specific revenues accounted for \$2,927,067 or 24.94% of total governmental activities revenue.
- The Village had \$10,611,807 in expenses related to governmental activities; \$2,927,067 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$7,684,740 were offset by general revenues (primarily property taxes and income taxes) of \$8,267,895
- The general fund had revenues and other financing sources of \$9,439,535 in 2005. This represents an increase of \$3,983,416 or 73.01% from 2004. The expenditures of the general fund, which totaled \$8,700,415 in 2005, increased \$1,198,913 or 15.98% from 2004. The net increase in fund balance for the general fund was \$739,120 or 31.24% from 2004.
- The debt service fund had revenues and other financing sources of \$1,682,791 in 2005. The expenditures of the debt service fund totaled \$1,327,722 in 2005. The net increase in fund balance for the debt service fund was \$355,069 or 71.14% from 2004.
- The capital improvement fund had revenues and other financing sources of \$5,853,571, which includes a note issue of \$4,900,000 in 2005. The expenditures of the capital improvement fund, totaled \$4,830,886 in 2005. The net decrease in fund balance for the capital improvement fund was \$30,864 or 1.57% from 2004.
- Net assets for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2005 by \$148,914. This increase in net assets was due primarily to adequate charges for services revenues.
- In the general fund, the actual revenues and other financing sources came in \$2,627,283 higher than they were in the final budget and actual expenditures were \$1,289,251 less than the amount in the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Village as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The statement of net assets and statement of activities provide information about the activities of the Village as a whole, presenting both an aggregate view of the Village's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the Village to provide programs and activities, the view of the Village as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Village as a whole, the financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the Village is divided into two distinct kinds of activities:

Governmental activities - Most of the Village's programs and services are reported here including, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The Village's water and sewer operations are reported here.

Reporting the Village's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The analysis of the Village's major governmental and proprietary funds begins on page 10.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains a multitude of individual governmental funds. The Village has segregated these funds into major funds and nonmajor funds. The Village's major governmental funds are the general fund, debt service fund, and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary Funds

The Village maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sewer management functions. All of the Village's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the Village's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 28 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-59 of this report.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the Village as a whole. Net assets of the governmental activities have been restated at December 31, 2004 (see Note 3 to the basic financial statements for detail). The table below provides a summary of the Village's net assets for 2005 compared to 2004.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	(Restated) 2004	2005	2004	2005	(Restated) 2004
<u>Assets</u>						
Current and other assets	\$ 4,479,808	\$ 3,492,050	\$ 1,900,703	\$ 1,733,210	\$ 6,380,511	\$ 5,225,260
Capital assets	<u>26,821,597</u>	<u>22,437,213</u>	<u>7,698,517</u>	<u>7,752,081</u>	<u>34,520,114</u>	<u>30,189,294</u>
Total assets	<u>31,301,405</u>	<u>25,929,263</u>	<u>9,599,220</u>	<u>9,485,291</u>	<u>40,900,625</u>	<u>35,414,554</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	21,272,535	16,791,673	37,646	35,345	21,310,181	16,827,018
Other liabilities	<u>2,282,524</u>	<u>2,517,613</u>	<u>130,071</u>	<u>167,357</u>	<u>2,412,595</u>	<u>2,684,970</u>
Total liabilities	<u>23,555,059</u>	<u>19,309,286</u>	<u>167,717</u>	<u>202,702</u>	<u>23,722,776</u>	<u>19,511,988</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,745,350	5,815,693	7,698,517	7,752,081	13,443,867	13,567,774
Restricted	2,924,282	3,774,588	-	-	2,924,282	3,774,588
Unrestricted	<u>(923,286)</u>	<u>(2,970,304)</u>	<u>1,732,986</u>	<u>1,530,508</u>	<u>809,700</u>	<u>(1,439,796)</u>
Total net assets	<u>\$ 7,746,346</u>	<u>\$ 6,619,977</u>	<u>\$ 9,431,503</u>	<u>\$ 9,282,589</u>	<u>\$ 17,177,849</u>	<u>\$ 15,902,566</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the Village's assets exceeded liabilities by \$17,177,849. At year-end, net assets were \$7,746,346 and \$9,431,503 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the Village's assets. At year-end, capital assets represented 84.40% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, water mains, storm sewer mains, sanitary sewer mains and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$5,745,350 and \$7,698,517 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Village's net assets, \$2,924,282, represents resources that are subject to external restriction on how they may be used.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

The table below shows the comparative analysis of changes in net assets for fiscal year 2005 compared to 2004.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,294,899	\$ 1,401,361	\$ 1,227,412	\$ 770,676	\$ 3,522,311	\$ 2,172,037
Operating grants and contributions	552,965	455,998	-	-	552,965	455,998
Capital grants and contributions	79,203	1,270,378	-	-	79,203	1,270,378
Total program revenues	<u>2,927,067</u>	<u>3,127,737</u>	<u>1,227,412</u>	<u>770,676</u>	<u>4,154,479</u>	<u>3,898,413</u>
General revenues:						
Property taxes	290,765	242,437	-	-	290,765	242,437
Income taxes	7,977,130	6,666,631	-	-	7,977,130	6,666,631
Unrestricted grants and entitlements	297,856	221,594	-	-	297,856	221,594
Investment earnings	83,328	69,814	-	-	83,328	69,814
Miscellaneous	162,030	152,416	-	-	162,030	152,416
Total general revenues	<u>8,811,109</u>	<u>7,352,892</u>	<u>-</u>	<u>-</u>	<u>8,811,109</u>	<u>7,352,892</u>
Total revenues	<u>11,738,176</u>	<u>10,480,629</u>	<u>1,227,412</u>	<u>770,676</u>	<u>12,965,588</u>	<u>11,251,305</u>
Expenses:						
General government	3,409,784	4,618,191	-	-	3,409,784	4,618,191
Security of persons and property	1,478,364	1,299,882	-	-	1,478,364	1,299,882
Public health and welfare	195,870	76,512	-	-	195,870	76,512
Transportation	734,278	878,767	-	-	734,278	878,767
Community environment	491,185	455,508	-	-	491,185	455,508
Leisure time activity	3,347,300	2,795,756	-	-	3,347,300	2,795,756
Economic development and assistance	197,079	182,801	-	-	197,079	182,801
Interest and fiscal charges	757,947	791,287	-	-	757,947	791,287
Water	-	-	349,079	612,326	349,079	612,326
Sewer	-	-	729,419	764,069	729,419	764,069
Total expenses	<u>10,611,807</u>	<u>11,098,704</u>	<u>1,078,498</u>	<u>1,376,395</u>	<u>11,690,305</u>	<u>12,475,099</u>
Increase (decrease) in net assets before transfers	1,126,369	(618,075)	148,914	(605,719)	1,275,283	(1,223,794)
Transfers	-	(161,536)	-	161,536	-	-
Change in net assets	1,126,369	(779,611)	148,914	(444,183)	1,275,283	(1,223,794)
Net assets at beginning of year (restated)	<u>6,619,977</u>	<u>7,399,588</u>	<u>9,282,589</u>	<u>9,726,772</u>	<u>15,902,566</u>	<u>17,126,360</u>
Net assets at end of year	<u>\$ 7,746,346</u>	<u>\$ 6,619,977</u>	<u>\$ 9,431,503</u>	<u>\$ 9,282,589</u>	<u>\$ 17,177,849</u>	<u>\$ 15,902,566</u>

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)

Governmental Activities

Governmental activities net assets increased \$1,126,369 in 2005. This is primarily due to an increase in income tax revenues. Also, charges for service revenue increased due to collections at the golf course (purchased in 2005) and higher collections at the recreation and aquatic centers.

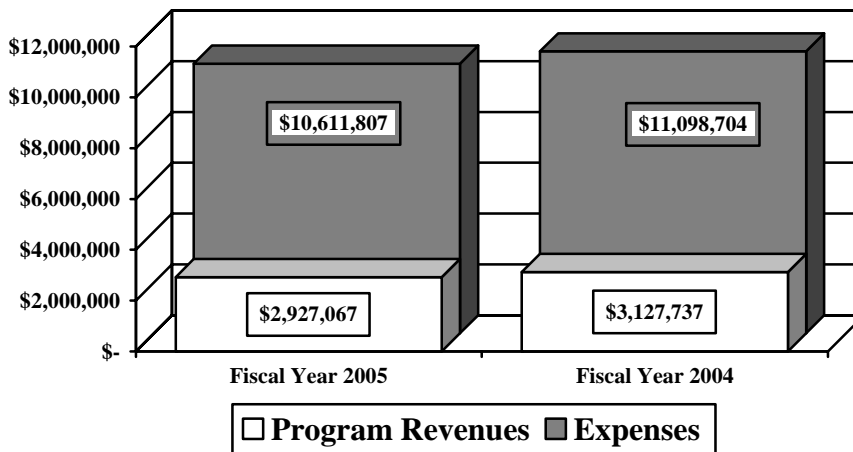
Leisure time activity, which primarily supports operations of the recreation and aquatic centers and the golf course, accounted for \$3,347,300 or 31.54% of the total expenses of the Village. Security of persons and property which primarily supports the operations of the police department accounted for \$1,478,364 or 13.93% of the total expenses of the Village. Security of persons and property expenses were partially funded by \$68,715 in direct charges to users of the services. General government expenses totaled \$3,409,784 or 32.13% of total Village expenses. General government expenses were partially funded by \$449,749 in direct charges to users of the services.

The state and federal government contributed to the Village a total of \$552,965 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$490,272 were subsidized transportation programs.

General revenues totaled \$8,811,109, and amounted to 75.06% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,267,895 or 70.44% of total governmental revenues. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$297,856.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 compared to 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities - Program Revenues vs. Total Expenses



**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

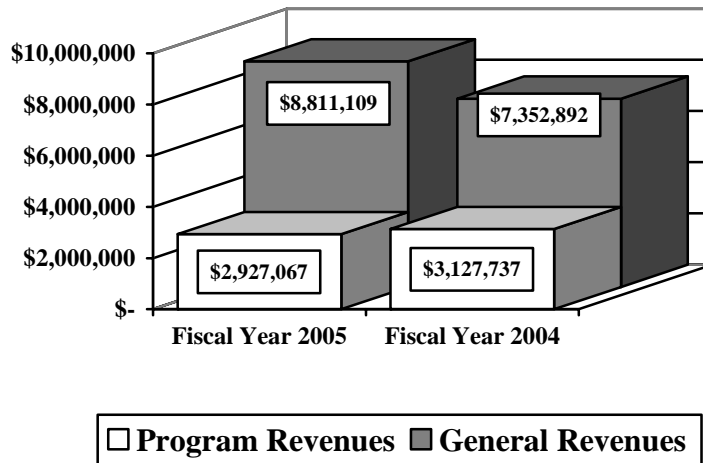
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 3,409,784	\$ 2,960,035	\$ 4,618,191	\$ 4,244,895
Security of persons and property	1,478,364	1,409,649	1,299,882	1,251,667
Public health and welfare	195,870	129,105	76,512	65,031
Transportation	734,278	164,803	878,767	(824,930)
Community environment	491,185	484,185	455,508	440,508
Leisure time activity	3,347,300	1,581,937	2,795,756	1,819,708
Economic development and assistance	197,079	197,079	182,801	182,801
Interest and fiscal charges	757,947	757,947	791,287	791,287
Total	\$ 10,611,807	\$ 7,684,740	\$ 11,098,704	\$ 7,970,967

The dependence upon general revenues for governmental activities is apparent, with 72.42% of expenses supported through taxes and other general revenues during 2005. The chart below illustrates the Village's program revenues versus general revenues for 2005 compared to 2004.

Governmental Activities - General and Program Revenues



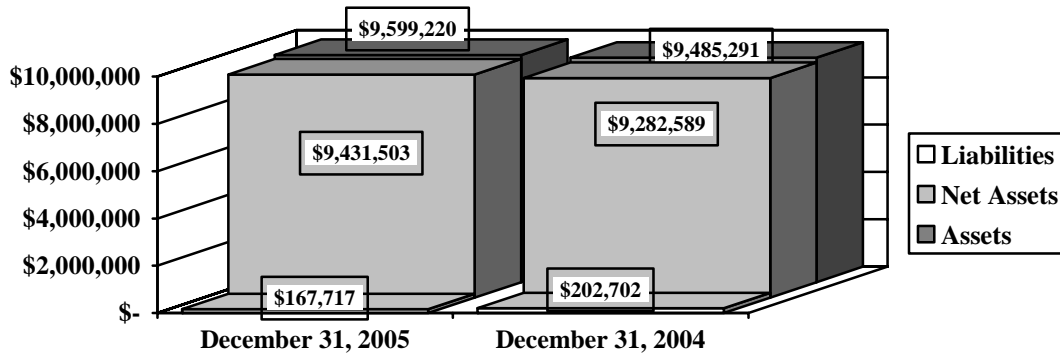
**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$1,227,412 and expenses of \$1,078,498 for 2005. The graph below shows the business-type activities assets, liabilities and net assets for 2005 compared to 2004.

Net Assets in Business - Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Village's net resources available for spending at year-end.

The Village's governmental funds (as presented on the balance sheet on pages 18-19) reported a combined fund balance of \$823,773 which is \$1,042,304 lower than last year's total of \$(218,531). Fund balances of the general fund and capital improvement fund were restated at December 31, 2004 (see Note 3 for detail). The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and non-major governmental funds.

	Fund Balances 12/31/05	(Restated) Fund Balances 12/31/04	Increase (Decrease)
Major funds:			
General	\$ (1,627,046)	\$ (2,366,166)	\$ 739,120
Debt service	(144,022)	(499,091)	355,069
Capital improvement	1,933,095	1,963,959	(30,864)
Other nonmajor governmental funds	661,746	682,767	(21,021)
Total	\$ 823,773	\$ (218,531)	\$ 1,042,304

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

General fund

The Village's general fund balance increased \$739,120 or 31.24% from 2004. The table that follows assists in illustrating the revenues of the general fund.

	2005 <u>Amount</u>	(Restated) 2004 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,961,871	\$ 3,614,191	64.96 %
Charges for services	1,736,002	947,089	83.30 %
Licenses, permits and fees	418,354	343,757	21.70 %
Fines and forfeitures	40,563	47,117	(13.91) %
Intergovernmental	280,892	268,576	4.59 %
Investment income	54,106	83,373	(35.10) %
Reimbursements	33,529	7,531	345.21 %
Other	<u>128,285</u>	<u>144,485</u>	(11.21) %
Total	<u>\$ 8,653,602</u>	<u>\$ 5,456,119</u>	58.60 %

Tax revenue represents 68.89% of all general fund revenue. Tax revenue increased 64.96% over prior year. This was due to income tax revenues increasing overall and due to the Village allocating a larger portion of income taxes to the general fund. The increase in charges for services revenue is due to an increase in the collections of the recreation and aquatic center dues. Also during 2005, the Village opened an 18 hole golf course that also increased charges for services revenues.

The table that follows assists in illustrating the expenditures of the general fund.

	2005 <u>Amount</u>	2004 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government	\$ 3,341,041	\$ 3,110,425	7.41
Security of persons and property	1,398,013	1,238,323	12.90
Public health and welfare	158,739	49,798	218.77
Transportation	38,080	113,357	(66.41)
Community environment	440,188	388,229	13.38
Leisure time activity	3,134,119	2,421,648	29.42
Economic development and assistance	<u>190,235</u>	<u>179,722</u>	5.85
Total	<u>\$ 8,700,415</u>	<u>\$ 7,501,502</u>	15.98

The Village increased total expenditures by 15.98%. The largest expenditure line item, leisure time activity, increased 29.42% primarily due to the opening of the golf course. Public health and welfare expenditures increased 218.77% due to an increase in wages and benefits charged to this expenditure line item.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Debt service fund

The debt service fund had revenues of \$1,424,832 in 2005. The expenditures of the debt service fund totaled \$1,327,722 in 2005. The net increase in fund balance for the debt service fund was \$355,069 or 71.14% from 2004, largely due to transfers in of \$257,959.

Capital improvement fund

The capital improvement fund had revenues of \$666,166 and a note issue of \$4,900,000 in 2005. The expenditures of the capital improvement fund, totaled \$4,830,886 in 2005. The net decrease in fund balance for the capital improvement fund was \$30,864 or 1.57% from 2004, due to the note issuance and capital outlay expenditure activity.

Proprietary Funds

The Village's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

Water fund

The water fund had revenues of \$417,488 consisting of charges for services revenue. The expenses totaled \$349,079 in 2005. The net increase in net assets for the water fund was \$68,409 or 2.00% due to the generated fees exceeding the cost for services.

Sewer fund

The sewer fund had revenues of \$809,924 consisting of charges for services revenue. The expenses totaled \$729,419 in 2005. The net increase in net assets for the sewer fund was \$80,505 or 1.37% from 2004 due to generated fees exceeding the cost for services.

Budgeting Highlights

The Village's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Village's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the Village's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly. Budgetary information is presented for the general fund.

In the general fund, final budgeted expenditures exceeded original budgeted expenditures by \$40,385, pertaining to the purchase and installation of 3 police cruiser video cameras. The actual revenues and other financing sources came in \$2,627,283 higher than they were in the final budget, primarily due to an increase in income tax and charges for services revenues. Finally, actual expenditures were \$1,289,251 less than the amount in the final budget, principally due to the Village trying to contain costs.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the Village had \$34,520,114 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment (FF&E), vehicles, water mains, storm sewer mains, sanitary sewer mains and infrastructure. Of this total, \$26,821,597 was reported in governmental activities and \$7,698,517 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows fiscal year 2005 balances compared to 2004:

**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	(Restated) 2004	2005	2004	2005	2004
Land	\$ 3,693,470	\$ 1,264,442	\$ 11,837	\$ 11,837	\$ 3,705,307	\$ 1,276,279
Construction in progress	709,411	949,321	103,429	-	812,840	949,321
Land improvements	685,254	228,560	-	-	685,254	228,560
Buildings and improvements	19,129,711	18,393,642	86,688	89,218	19,216,399	18,482,860
FF&E	631,611	723,180	68,772	72,266	700,383	795,446
Vehicles	324,820	270,165	-	-	324,820	270,165
Infrastructure	1,647,320	607,903	-	-	1,647,320	607,903
Mains	-	-	7,427,791	7,578,760	7,427,791	7,578,760
Totals	<u>\$ 26,821,597</u>	<u>\$ 22,437,213</u>	<u>\$ 7,698,517</u>	<u>\$ 7,752,081</u>	<u>\$ 34,520,114</u>	<u>\$ 30,189,294</u>

The Villages largest governmental capital asset category is buildings and improvements. The net book value of the Village's buildings and improvements (cost less accumulated depreciation) represent approximately 71.32% of the Village's total capital assets for governmental activities.

Land and buildings and improvements in governmental activities increased significantly during 2005, primarily as a result of the Village's purchase of a golf course and club house. Infrastructure also increased significantly due to the completion of the Hamilton Road Improvement project.

Infrastructure includes streets and traffic signals. These items are immovable and of value only to the Village, however, the annual cost of purchasing these items is quite significant. The net book value of the Village's infrastructure (cost less accumulated depreciation), which represents infrastructure assets acquired after GASB 34 implementation in 2004, represents approximately 6.15% of the Village's total governmental capital assets.

The Village's largest business-type capital asset category is mains which include water mains, storm sewer mains and sanitary sewer mains. These items play a vital role in the income producing ability of the business-type activities. The net book value of the Village's mains (cost less accumulated depreciation) represents approximately 9.65% of the Village's total business-type capital assets.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2005 and 2004:

	Governmental Activities	
	<u>2005</u>	<u>(Restated) 2004</u>
Income tax revenue bonds	\$ 14,675,000	\$ 15,300,000
Notes payable	4,900,000	-
OPWC loans payable	894,978	631,387
Capital leases payable	606,269	690,133
Compensated absences	<u>196,288</u>	<u>170,153</u>
 Total long-term obligations	 <u>\$ 21,272,535</u>	 <u>\$ 16,791,673</u>
	Business-type Activities	
	<u>2005</u>	<u>2004</u>
Compensated absences	<u>\$ 37,646</u>	<u>\$ 35,345</u>

Further detail on the Village's long-term obligations can be found in Note 13 to the financial statements.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Mr. Ken Salak, Finance Director, 655 Blacklick Street, Groveport, Ohio 43125.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,364,239	\$ 1,677,305	\$ 3,041,544
Receivables (net of allowances for uncollectibles):			
Income taxes	2,184,253	-	2,184,253
Property and other taxes	335,823	-	335,823
Accounts	47,045	190,307	237,352
Accrued interest	13,598	-	13,598
Intergovernmental	495,036	-	495,036
Prepayments	39,814	33,091	72,905
Capital assets:			
Land and construction in progress	4,402,881	115,266	4,518,147
Depreciable capital assets, net	22,418,716	7,583,251	30,001,967
Total capital assets	<u>26,821,597</u>	<u>7,698,517</u>	<u>34,520,114</u>
Total assets	<u>31,301,405</u>	<u>9,599,220</u>	<u>40,900,625</u>
Liabilities:			
Accounts payable	425,129	34,369	459,498
Contracts payable	327,445	-	327,445
Retainage payable	22,535	-	22,535
Accrued wages and benefits	184,423	6,683	191,106
Due to other governments	903,107	89,019	992,126
Accrued interest payable	143,604	-	143,604
Deferred revenue	276,281	-	276,281
Long-term liabilities:			
Due within one year	5,763,084	10,753	5,773,837
Due in more than one year	15,509,451	26,893	15,536,344
Total liabilities	<u>23,555,059</u>	<u>167,717</u>	<u>23,722,776</u>
Net assets:			
Invested in capital assets, net of related debt	5,745,350	7,698,517	13,443,867
Restricted for:			
Capital projects	1,955,200	-	1,955,200
Leisure time activity	203,315	-	203,315
Transportation projects	647,517	-	647,517
Other purposes	118,250	-	118,250
Unrestricted (deficit)	<u>(923,286)</u>	<u>1,732,986</u>	<u>809,700</u>
Total net assets	<u>\$ 7,746,346</u>	<u>\$ 9,431,503</u>	<u>\$ 17,177,849</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 3,409,784	\$ 449,749	\$ -	\$ -
Security of persons and property.	1,478,364	68,715	-	-
Public health and welfare	195,870	4,072	62,693	-
Transportation	734,278	-	490,272	79,203
Community environment.	491,185	7,000	-	-
Leisure time activity.	3,347,300	1,765,363	-	-
Economic development and assistance.	197,079	-	-	-
Interest and fiscal charges.	757,947	-	-	-
Total governmental activities	<u>10,611,807</u>	<u>2,294,899</u>	<u>552,965</u>	<u>79,203</u>
Business-Type Activities:				
Water	349,079	417,488	-	-
Sewer	729,419	809,924	-	-
Total business-type activities	<u>1,078,498</u>	<u>1,227,412</u>	<u>-</u>	<u>-</u>
Total primary government.	<u>\$ 11,690,305</u>	<u>\$ 3,522,311</u>	<u>\$ 552,965</u>	<u>\$ 79,203</u>

General Revenues:

Property taxes levied for:	
General purposes.	
Income taxes levied for:	
General purposes.	
Debt service	
Capital projects	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues.	
Change in net assets.	
Net assets at beginning of year (restated)	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,960,035)	\$ -	\$ (2,960,035)
(1,409,649)	-	(1,409,649)
(129,105)	-	(129,105)
(164,803)	-	(164,803)
(484,185)	-	(484,185)
(1,581,937)	-	(1,581,937)
(197,079)	-	(197,079)
(757,947)	-	(757,947)
<u>(7,684,740)</u>	<u>-</u>	<u>(7,684,740)</u>
-	68,409	68,409
-	80,505	80,505
-	148,914	148,914
<u>(7,684,740)</u>	<u>148,914</u>	<u>(7,535,826)</u>
290,765	-	290,765
6,381,213	-	6,381,213
1,553,530	-	1,553,530
42,387	-	42,387
297,856	-	297,856
83,328	-	83,328
162,030	-	162,030
8,811,109	-	8,811,109
1,126,369	148,914	1,275,283
6,619,977	9,282,589	15,902,566
<u>\$ 7,746,346</u>	<u>\$ 9,431,503</u>	<u>\$ 17,177,849</u>

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ 618,340	\$ 745,899	\$ 1,364,239
Receivables (net of allowance for uncollectibles):					
Income taxes	1,747,402	393,166	43,685	-	2,184,253
Property and other taxes	335,823	-	-	-	335,823
Accounts	46,134	-	-	911	47,045
Intergovernmental	147,919	-	29,800	317,317	495,036
Accrued interest	13,598	-	-	-	13,598
Due from other funds.	-	-	1,634,516	-	1,634,516
Prepayments.	33,876	-	-	5,938	39,814
Total assets	\$ 2,324,752	\$ 393,166	\$ 2,326,341	\$ 1,070,065	\$ 6,114,324
Liabilities:					
Accounts payable	\$ 389,600	\$ -	\$ 21,161	\$ 14,368	\$ 425,129
Contracts payable	-	-	327,445	-	327,445
Retainage payable.	-	-	22,535	-	22,535
Accrued wages and benefits.	160,370	-	-	24,053	184,423
Due to other funds	1,210,322	338,246	-	85,948	1,634,516
Due to other governments.	878,610	-	-	24,497	903,107
Deferred revenue	1,312,896	198,942	22,105	259,453	1,793,396
Total liabilities	3,951,798	537,188	393,246	408,319	5,290,551
Fund Balances:					
Reserved for encumbrances.	12,595	-	150,407	-	163,002
Reserved for prepayments.	33,876	-	-	5,938	39,814
Designated for cemetery care.	-	-	-	33,217	33,217
Designated for budget stabilization	800,000	-	-	-	800,000
Unreserved, undesignated, (deficit) reported in:					
General fund.	(2,473,517)	-	-	-	(2,473,517)
Special revenue funds.	-	-	-	622,591	622,591
Debt service fund	-	(144,022)	-	-	(144,022)
Capital projects funds.	-	-	1,782,688	-	1,782,688
Total fund balances (deficit).	(1,627,046)	(144,022)	1,933,095	661,746	823,773
Total liabilities and fund balances.	\$ 2,324,752	\$ 393,166	\$ 2,326,341	\$ 1,070,065	\$ 6,114,324

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Total governmental fund balances		\$ 823,773
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,821,597
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 59,542	
Income taxes	1,105,233	
Intergovernmental revenues	349,571	
Accrued interest	2,769	
Total		1,517,115
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Compensated absences	196,288	
Accrued interest payable	143,604	
Capital lease payable	606,269	
OPWC loans payable	894,978	
Tax revenue bonds	14,675,000	
Note payable	4,900,000	
		(21,416,139)
Net assets of governmental activities		\$ 7,746,346

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Municipal income taxes	\$ 5,669,732	\$ 1,424,832	\$ 51,818	\$ -	\$ 7,146,382
Property and other taxes	292,139	-	-	-	292,139
Charges for services	1,736,002	-	-	87,856	1,823,858
Licenses permits and fees	418,354	-	-	-	418,354
Fines and forfeitures	40,563	-	-	12,124	52,687
Intergovernmental	280,892	-	614,348	536,891	1,432,131
Investment income	54,106	-	-	32,342	86,448
Reimbursements	33,529	-	-	-	33,529
Other	128,285	-	-	216	128,501
Total revenues	<u>8,653,602</u>	<u>1,424,832</u>	<u>666,166</u>	<u>669,429</u>	<u>11,414,029</u>
Expenditures:					
Current:					
General government	3,341,041	-	-	3,489	3,344,530
Security of persons and property	1,398,013	-	-	-	1,398,013
Public health and welfare	158,739	-	-	16,755	175,494
Transportation	38,080	-	-	623,976	662,056
Community environment	440,188	-	-	50,997	491,185
Leisure time activity	3,134,119	-	-	4,890	3,139,009
Economic development and assistance	190,235	-	-	-	190,235
Capital outlay	-	-	4,811,587	-	4,811,587
Debt service:					
Principal retirement	-	708,864	-	-	708,864
Interest and fiscal charges	-	618,858	-	-	618,858
Note issuance cost	-	-	19,299	-	19,299
Total expenditures	<u>8,700,415</u>	<u>1,327,722</u>	<u>4,830,886</u>	<u>700,107</u>	<u>15,559,130</u>
Excess (deficiency) of revenues over (under) expenditures	(46,813)	97,110	(4,164,720)	(30,678)	(4,145,101)
Other financing sources (uses):					
Note issuance	-	-	4,900,000	-	4,900,000
OPWC loan issuance	-	-	263,591	-	263,591
Premium on note issuance	-	-	23,814	-	23,814
Transfers in	785,933	257,959	-	9,657	1,053,549
Transfers out	-	-	(1,053,549)	-	(1,053,549)
Total other financing sources (uses)	<u>785,933</u>	<u>257,959</u>	<u>4,133,856</u>	<u>9,657</u>	<u>5,187,405</u>
Net change in fund balances	739,120	355,069	(30,864)	(21,021)	1,042,304
Fund balances (deficits) at beginning of year (restated)					
	(2,366,166)	(499,091)	1,963,959	682,767	(218,531)
Fund balances (deficits) at end of year	<u>\$ (1,627,046)</u>	<u>\$ (144,022)</u>	<u>\$ 1,933,095</u>	<u>\$ 661,746</u>	<u>\$ 823,773</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds		\$ 1,042,304
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 5,083,336	
Current year depreciation	<u>(698,952)</u>	
Total		4,384,384
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(1,374)	
Income taxes	830,748	
Intergovernmental revenues	(502,107)	
Accrued interest	<u>(3,120)</u>	
Total		324,147
 Repayment of tax revenue bonds and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		708,864
 The issuances of long-term debt are recorded as revenue in the funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
Note issuance	(4,900,000)	
OPWC loan issuance	<u>(263,591)</u>	
Total		(5,163,591)
 In the statement of activities, interest is accrued on outstanding bonds, notes, and capital leases, whereas in governmental funds, an interest expenditure is reported when due.		
		(143,604)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(26,135)</u>
Change in net assets of governmental activities		<u><u>\$ 1,126,369</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 3,972,402	\$ 3,972,402	\$ 5,636,055	\$ 1,663,653
Property and other taxes	208,975	208,975	292,139	83,164
Charges for services	1,219,795	1,219,795	1,782,452	562,657
Licenses permits and fees	249,815	249,815	390,506	140,691
Fines and forfeitures.	24,343	24,343	36,303	11,960
Intergovernmental	205,413	205,413	280,796	75,383
Investment income	35,593	35,593	60,784	25,191
Reimbursement	22,483	22,483	33,529	11,046
Other	74,448	74,448	123,307	48,859
Total revenues.	<u>6,013,267</u>	<u>6,013,267</u>	<u>8,635,871</u>	<u>2,622,604</u>
Expenditures:				
Current:				
General government	3,584,940	3,625,325	3,295,201	330,124
Security of persons and property	1,469,152	1,469,152	1,349,758	119,394
Public health and welfare.	193,756	193,756	153,719	40,037
Transportation	569,064	569,064	40,080	528,984
Community environment	494,746	494,746	432,181	62,565
Leisure time activity	3,332,600	3,332,600	3,143,639	188,961
Economic development and assistance	206,046	206,046	186,860	19,186
Total expenditures	<u>9,850,304</u>	<u>9,890,689</u>	<u>8,601,438</u>	<u>1,289,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,837,037)</u>	<u>(3,877,422)</u>	<u>34,433</u>	<u>3,911,855</u>
Other financing sources:				
Sale of capital assets	-	-	4,679	4,679
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,679</u>	<u>4,679</u>
Net change in fund balance	(3,837,037)	(3,877,422)	39,112	3,916,534
Fund balance (deficit) at				
beginning of year (restated)	(1,477,349)	(1,477,349)	(1,477,349)	-
Prior year encumbrances appropriated.	194,308	194,308	194,308	-
Fund balance (deficit) at end of year.	<u>\$ (5,120,078)</u>	<u>\$ (5,160,463)</u>	<u>\$ (1,243,929)</u>	<u>\$ 3,916,534</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	Business-Type Activities -Enterprise Funds		
	Water	Sewer	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 359,648	\$ 1,317,657	\$ 1,677,305
Receivables (net of allowance for uncollectibles):			
Accounts	72,339	117,968	190,307
Prepayments	5,383	27,708	33,091
Total current assets	<u>437,370</u>	<u>1,463,333</u>	<u>1,900,703</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	32,456	82,810	115,266
Depreciable capital assets, net	3,097,492	4,485,759	7,583,251
Total capital assets	<u>3,129,948</u>	<u>4,568,569</u>	<u>7,698,517</u>
Total assets	<u>3,567,318</u>	<u>6,031,902</u>	<u>9,599,220</u>
Liabilities:			
Current liabilities:			
Accounts payable.	17,063	17,306	34,369
Accrued wages and benefits	6,683	-	6,683
Compensated absences	10,753	-	10,753
Due to other governments	11,783	77,236	89,019
Total current liabilities	<u>46,282</u>	<u>94,542</u>	<u>140,824</u>
Long-term liabilities:			
Compensated absences	26,893	-	26,893
Total long-term liabilities	<u>26,893</u>	<u>-</u>	<u>26,893</u>
Total liabilities	<u>73,175</u>	<u>94,542</u>	<u>167,717</u>
Net assets:			
Invested in capital assets	3,129,948	4,568,569	7,698,517
Unrestricted	364,195	1,368,791	1,732,986
Total net assets	<u>\$ 3,494,143</u>	<u>\$ 5,937,360</u>	<u>\$ 9,431,503</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 417,488	\$ 809,924	\$ 1,227,412
Total operating revenues	<u>417,488</u>	<u>809,924</u>	<u>1,227,412</u>
Operating expenses:			
Personal services	212,094	22,105	234,199
Contract services	13,787	566,777	580,564
Materials and supplies	56,170	49,570	105,740
Depreciation	66,026	90,967	156,993
Other	1,002	-	1,002
Total operating expenses.	<u>349,079</u>	<u>729,419</u>	<u>1,078,498</u>
Changes in net assets	68,409	80,505	148,914
Net assets at beginning of year	<u>3,425,734</u>	<u>5,856,855</u>	<u>9,282,589</u>
Net assets at end of year.	<u>\$ 3,494,143</u>	<u>\$ 5,937,360</u>	<u>\$ 9,431,503</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 410,466	\$ 723,884	\$ 1,134,350
Cash payments for personal services	(212,637)	(22,105)	(234,742)
Cash payments for contract services	(52,854)	(590,071)	(642,925)
Cash payments for materials and supplies	(60,047)	(50,065)	(110,112)
Cash payments for other expenses.	(1,802)	-	(1,802)
Net cash provided by operating activities	<u>83,126</u>	<u>61,643</u>	<u>144,769</u>
Cash flows from noncapital financing activities:			
Cash received from other funds	-	406,609	406,609
Net cash provided by noncapital financing activities	<u>-</u>	<u>406,609</u>	<u>406,609</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(20,619)	(82,810)	(103,429)
Net cash used in capital and related financing activities	<u>(20,619)</u>	<u>(82,810)</u>	<u>(103,429)</u>
Net increase in cash and cash equivalents	62,507	385,442	447,949
Cash and cash equivalents at beginning of year	297,141	932,215	1,229,356
Cash and cash equivalents at end of year.	<u>\$ 359,648</u>	<u>\$ 1,317,657</u>	<u>\$ 1,677,305</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 68,409	\$ 80,505	\$ 148,914
Adjustments:			
Depreciation	66,026	90,967	156,993
Changes in assets and liabilities:			
Increase in accounts receivable.	(7,022)	(86,040)	(93,062)
Increase in prepayments	(5,383)	(27,708)	(33,091)
Increase in accounts payable	5,149	15,354	20,503
Decrease in contracts payable	(43,710)	(88,671)	(132,381)
Decrease in accrued wages and benefits.	(1,736)	-	(1,736)
Increase (decrease) in due to other governments.	(908)	77,236	76,328
Increase in compensated absences payable	2,301	-	2,301
Net cash provided by operating activities	<u>\$ 83,126</u>	<u>\$ 61,643</u>	<u>\$ 144,769</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 218,310
Cash in segregated accounts	7,067
	225,377
Total assets.	\$ 225,377
 Liabilities:	
Accounts payable	\$ 56,099
Deposits held and due to others	169,278
	225,377
Total liabilities	\$ 225,377

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE VILLAGE

The Village of Groveport (the "Village") was founded in 1847 and is located in Franklin County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and the Village Charter. The Village Charter was adopted in 1990 and provides for a Mayor-Council-Administrator form of government. The six member council is elected at-large in odd-numbered years for overlapping four-year terms. The Council members serve as the legislative authority and the taxing authority. The Council members create and adopt the annual operating budget and approve expenditures of Village funds.

The Village provides general governmental services to its residents including: police services, community affairs, senior citizens' services, building and zoning regulation and enforcement, water and sewer services, road maintenance, parks, and other administrative support services. Madison Township provides fire protection for the Village. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The Village also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The Village has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to apply these FASB Statements and Interpretations. The most significant of the Village's accounting policies are described below.

A. Reporting Entity

The Village's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The BFS includes all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability, as defined by the GASB, exists if the Village appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Village. The Village may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Village. The Village also took into consideration other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village's BFS to be misleading or incomplete. Based upon the foregoing criteria, the Village has no component units, but is a member of three insurance purchasing pools which are described in Note 14.

B. Basis of Presentation - Fund Accounting

The Village's BFS consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Village at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village's governmental activities and for the business-type activities of the Village. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the Village.

Fund Financial Statements - During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Village's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Debt Service - The debt service fund accounts for all transactions relating to the payment of debt.

Capital Improvement - The capital improvement fund accounts for improvement projects.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting (Continued)

Other governmental funds of the Village are used to account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds.

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund - This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund - This fund accounts for the provision of sewer services to its residential and commercial users located within the Village.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary funds are agency funds that are used to account for the mayors court and escrow inspections.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Village are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Village finances and meets the cash flow needs of its proprietary activities.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Village, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the Village receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Village must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Village on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, and fees.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Basis of Accounting (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendments throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the department level in the general fund, and at the fund level for all other funds. Budgetary modifications outside of the legal level of budgetary control may only be made by resolution of Village Council.

A budget of estimated revenues and expenditures is submitted to the County Auditor by July 20 of each year, for the period January 1 to December 31 of the following year.

The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected revenue of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the following year as authority for expenditure. Budgeted receipts as shown in the accompanying financial statements do not include January 1, 2005 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during 2005.

A temporary Appropriation Measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31.

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and beginning-year fund balance. Supplemental appropriations were made in 2005. These supplemental appropriations were legally enacted by Village Council. The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts, including all amendments and modifications.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Budgetary Data (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the Village's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances for governmental funds since they do not constitute expenditures or liabilities.

G. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the basic financial statements. Cash and cash equivalents that are held separately for Mayor's Court and not held in the Village treasury are recorded on the financial statements as "Cash in segregated accounts."

During 2005, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, nonnegotiable certificates of deposit and a repurchase agreement.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable/negotiable certificates of deposit and repurchase agreements, are reported at cost.

The Village had invested funds in STAR Ohio during 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2005 amounted to \$54,106, the entire amount was assigned from other Village funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the Village's investment account at year-end is provided in Note 4.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of \$1,000. The Village's infrastructure consists of, culverts, curbs, sidewalks, streets, and water mains, storm sewer mains, and sanitary sewer mains. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Village's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land Improvements	5 - 65 years	20 years
Buildings/Building Improvements	25 - 50 years	30 - 50 years
Furniture, fixtures and equipment	5 - 20 years	10 - 30 years
Vehicles	8 years	8 years
Infrastructure:		
Streets	65 years	n/a
Thoroughfares/Curbs/Gutters/Sidewalks	20 years	n/a
Traffic Signals	20 years	n/a
Water Mains	n/a	65 years
Storm Sewers	n/a	65 years
Sanitary Sewer Lines	n/a	65 years

I. Compensated Absences

Compensated absences of the Village consists of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Village and the employee.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits are accrued using the "Vesting" method.

In addition, the Village has a policy by which an employee receives a portion of their unused sick leave balance upon separation of employment if the employee has ten (10) or more years of governmental service. This policy is in addition to employees eligible or expected to become eligible for termination (severance) payments.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Village will compensate the employees for the benefits through paid time off or some other means.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. Village employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Accrued Liabilities and Long-Term Obligations (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

K. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Fund Balance Reserves and Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds. Designated fund balances represent amounts which the Village's legislative body has approved plans restricting their use.

The Village reports a reservation of fund balance for amounts representing encumbrances outstanding and prepayments in the governmental fund financial statements. The Village also has designated portions of its fund balance to budget stabilization and to cemetery care.

N. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. The Village uses the consumption method.

O. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. No net assets were restricted by enabling legislation.

The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Village, these revenues are charges for services for water and sewer programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles and Fund Balance Restatement

For fiscal year 2005, the Village has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

A. Change in Accounting Principles and Fund Balance Restatement (Continued)

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the Village, however additional note disclosure can be found in Note 4 for GASB Statement No. 40.

B. Restatement of Fund Balances and Net Assets

Fund balances have been restated to record income taxes receivable based on Village Council enacting revisions to income tax allocations among the funds. The Village also restated fund balances to properly record income tax revenue sharing liabilities. The prior period restatements had the following effect on the Village's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance					
December 31, 2004	\$ (2,092,405)	\$ (499,091)	\$ 2,364,602	\$ 682,767	\$ 455,873
Restatement of Income Taxes Receivable	400,643	-	(400,643)	-	-
Restatement of Income Taxes Revenue					
Sharing Liabilities	<u>(674,404)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(674,404)</u>
Adjusted fund balance,					
December 31, 2004	<u>\$ (2,366,166)</u>	<u>\$ (499,091)</u>	<u>\$ 1,963,959</u>	<u>\$ 682,767</u>	<u>\$ (218,531)</u>

The fund balance at beginning of year has been restated on the statement of revenues, expenditures, and changes in fund balances - budget and actual for the general fund to reflect adjustments to the cash balance made in the prior year.

The governmental activities net assets have been restated to include the capital lease building improvements (see Note 10); to include loan liabilities with the Ohio Public Works Commission (OPWC); and to include liabilities related to the Village's income tax revenue sharing agreements. These adjustments had the following effects on governmental activities net assets as previously reported:

Governmental activities net assets, December 31, 2004	\$ 7,078,576
<u>Adjustments:</u>	
Restatement of leased capital assets	847,192
Restatement of OPWC loan liabilities	(631,387)
Restatement of Income Tax Revenue	
Sharing Liabilities	<u>(674,404)</u>
Restated governmental activities net assets, January 1, 2005	<u>\$ 6,619,977</u>

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

C. Deficit Fund Balances

Fund balances at December 31, 2005 included the following individual fund deficits:

<u>Major governmental funds</u>	<u>Deficit</u>
General	\$ 1,627,046
Debt service	144,022
<u>Nonmajor governmental fund</u>	
Tree fund	85,948

State law does not permit a cash basis deficit at year-end. The above fund balances are on a modified accrual basis of accounting. The general fund is generally liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur, however in the case of a negative general fund balance the Village's other funds have alleviated the deficit.

D. Deficit Cash Fund Balances

The Village had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

	<u>Deficit</u>
<u>Major governmental funds</u>	
General	\$ 1,210,322
Debt service	338,246
<u>Nonmajor governmental fund</u>	
Tree fund	85,948

E. Compliance

- i. The following funds had appropriations in excess of estimated resources for the year ended December 31, 2005 in noncompliance with Ohio Revised Code 5705.39:

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

E. Compliance (Continued)

	<u>Appropriation</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Major funds</u>			
General	\$ 9,696,381	\$ 4,535,918	\$ (5,160,463)
Debt service	6,314,327	1,200,000	(5,114,327)
Capital improvement	4,900,000	2,569,117	(2,330,883)
Water fund	2,979,994	470,941	(2,509,053)
<u>Nonmajor funds</u>			
State highway improvements	25,000	22,046	(2,954)
Park fund	120,000	67,459	(52,541)
DUI/OMVI enforcement	17,000	3,638	(13,362)
Court computer	50,587	38,332	(12,255)
Escrow inspection	200,000	104,711	(95,289)

- ii. The following funds had actual receipts less than estimated receipts for the year ended December 31, 2005 in noncompliance with Ohio Revised Code 5705.36:

	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Deficit</u>
<u>Major funds</u>			
Sewer	\$ 820,000	\$ 723,884	\$ (96,116)
<u>Nonmajor funds</u>			
Cemetery	1,500	1,216	(284)
Drug education and enforcement	100	-	(100)
Federal drug enforcement	100	-	(100)

- iii. The following had expenditures in excess of appropriations for the year ended December 31, 2005 in noncompliance with Ohio Revised Code 5705.41 (B):

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major fund/ Account Name</u>			
General fund - audits and elections	\$ 18,000	\$ 23,088	\$ 5,088
<u>Nonmajor fund</u>			
FEMA fund	-	43,894	43,894

- iv. Contrary to Ohio Revised Code 5705.41 (D), the Village Finance Director did not always properly certify that the amount required to meet a commitment was lawfully appropriated and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances for a portion of the Village's expenditures.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

E. Compliance (Continued)

- v. CFR 240.15c-12 and the Village's debt covenants require the Village to provide a copy of their annual reports to each Nationally Recognized Municipal Securities Information Repository (NRMSIR) and State Information Depository (SID) on annual basis. During 2005, the Village did not submit the annual financial report to the NRMSIR and the report submitted to the SID was not submitted until July 27, 2007 and was incomplete in nature.

The Village will monitor budgetary controls and compliance procedures more closely and ensure that documents are filed with the County Auditor in a timely manner in the future to alleviate such compliance issues. The Villages will also file required reports in the future.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the Village's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the Village's interim monies available for investment.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations of the Village.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

A. Cash in Segregated Accounts

The Village has a depository account outside of the Village treasury to account for Mayor's Court operations. The carrying amount of this depository account at December 31, 2005 was \$7,067. The depository account is included in "Deposits with Financial Institutions" below.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all Village deposits was \$601,097. As of December 31, 2005, \$351,382 of the Village's bank balance of \$658,450 was exposed to custodial risk as discussed below, while \$307,067 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the Village's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository.

The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

C. Investments

As of December 31, 2005, the Village had the following investments and maturities:

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	Greater than 24 months
FHLB	\$ 785,939	\$ 297,187	\$ -	\$ 244,532	\$ 244,220
FHLMC	782,758	-	782,758	-	-
FNMA	424,790	-	98,813	325,977	-
STAR Ohio	28,199	28,199	-	-	-
Negotiable CD's	495,000	495,000	-	-	-
Repurchase Agreement	149,138	149,138	-	-	-
	<u>\$ 2,665,824</u>	<u>\$ 969,524</u>	<u>\$ 881,571</u>	<u>\$ 570,509</u>	<u>\$ 244,220</u>

The weighted average maturity of investments is 1.01 years.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

The Village's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment

Credit Risk: The Village's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The Village's investment policy does not address credit risk.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Village's name. The Village has no policy for custodial credit risk for investments beyond the requirements of State statute.

Concentration of Credit Risk: The Village's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities.

The following table includes the percentage of each investment type held by the Village at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 785,939	29.48
FHLMC	782,758	29.37
FNMA	424,790	15.93
STAR Ohio	28,199	1.06
Negotiable CD's	495,000	18.57
Repurchase Agreements	149,138	5.59
	<u>\$ 2,665,824</u>	<u>100.00</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 601,097
Investments	2,665,824
Total	<u>\$ 3,266,921</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,364,239
Business type activities	1,677,305
Agency funds	225,377
Total	<u>\$ 3,266,921</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Due to/from other funds consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	
Capital improvements	\$ 1,634,516
Total receivable funds:	<u>\$ 1,634,516</u>

<u>Payable Funds</u>	
General	\$ 1,210,322
Debt service	338,246
Nonmajor governmental fund	<u>85,948</u>
Total payable funds	<u>\$ 1,634,516</u>

The purpose of the due to/from other funds is to cover negative cash balances at December 31, 2005. These amounts will be repaid within one year.

- B. On a GAAP basis, interfund loans made in a prior period were forgiven and reported as interfund transfers as follows:

<u>Transfers In</u>	
General	\$ 785,933
Debt service	257,959
Nonmajor governmental fund	<u>9,657</u>
Total Transfers In	<u>\$ 1,053,549</u>

<u>Transfer Out</u>	
Capital improvement	\$ 1,053,549
Total Transfers Out	<u>\$ 1,053,549</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Real property taxes and public utility taxes are levied after October 1 on the assessed value as of the prior January 1, the tax lien date. Assessed values are established by State law at 35 percent of appraised market value, as established by the County Auditor. All real property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due January 1 with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied on assessed values as of the prior January 1, the lien date. Public utility tangible personal property currently is assessed at "true value" which is approximately 50% of cost. "True value" is established by the State of Ohio. Public utility property taxes are payable on the same dates as real property taxes described previously.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied on the assessed values and at the close of the most recent year of the taxpayer (for businesses in operation more than one year) or December 31. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30, and if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The first \$10,000 of taxable value is exempt from taxation for each business by State law.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected. The full rate for all Village operations for the year ended December 31, 2005, was \$1.40 per \$1,000 of assessed value.

The assessed values of real and tangible personal property located in the Village, upon which taxes for 2005 were collected, are as follows:

<u>Category</u>	<u>Assessed Value</u>
Residential	\$ 92,445,080
Agriculture	940,360
Commercial	17,079,080
Industrial	<u>45,691,930</u>
Total real estate	<u>156,156,450</u>
Public utility - real	9,940
Public utility - personal	<u>14,693,320</u>
Total public utility	<u>14,703,260</u>
Tangible personal property	<u>35,852,715</u>
Total	<u>\$ 206,712,425</u>

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the Village in the first sixty days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 - LOCAL INCOME TAX

The 2.0 percent Village income tax, which is not subject to renewal, is levied on substantially all income earned within the Village. In addition, the residents of the Village are required to pay Village income tax on income they earn outside the Village; however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village at least quarterly. Major employers are required to remit withholdings to the Village monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the Village. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2005 on the fund financial statements. Income tax revenue for 2005 was \$7,146,382. Income tax revenue is allocated based on retroactive Ordinance 07-033 which states that funds shall be disbursed in the following order: a.) \$100,000 of the funds collected under this chapter shall be applied to the Rainy Day Fund. b.) 80 percent of the net available income tax receipts received annually may be used to defray general operating expenses of the Village and may be appropriated to the General Fund of the Village. Included in this amount shall be those sums necessary to defray all costs of collecting the taxes and the cost of administering and enforcing the provisions thereof. c.) The remaining 20 percent of the net available income tax receipts received annually shall be set aside in the Debt Retirement Fund thereby satisfying the Village's obligations associated with the financing of capital expenditures; the remaining receipts shall be applied to the Capital Improvement Fund and used for capital improvements for the Village including but not limited to the cost of acquisition, construction, repair and maintenance of streets and other permanent improvements; and the purchase of new equipment.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Intergovernmental receivables" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2005, as well as intended to finance fiscal year 2005 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Income taxes	\$ 2,184,283
Property and other taxes	335,823
Accounts	47,045
Accrued interest	13,598
Intergovernmental	495,036

Business-type Activities:

Accounts	190,307
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**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to errors and omissions of capital assets in prior years consisting of lease building improvements. The effect on capital assets is as follows:

<u>Governmental Activities:</u>	Balance <u>12/31/04</u>	<u>Adjustments</u>	Restated Balance <u>12/31/04</u>
Land	\$ 1,264,442	\$ -	\$ 1,264,442
Construction in progress	949,321	-	949,321
Land improvements	310,297	-	310,297
Buildings and improvements	18,618,826	941,325	19,560,151
Equipment	1,375,797	-	1,375,797
Vehicles	1,221,605	-	1,221,605
Infrastructure	610,724	-	610,724
Less: accumulated depreciation	<u>(2,760,991)</u>	<u>(94,133)</u>	<u>(2,855,124)</u>
Total	<u>\$ 21,590,021</u>	<u>\$ 847,192</u>	<u>\$ 22,437,213</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2005, was as follows:

	Restated Balance 12/31/04	Additions	Disposals	Balance 12/31/05
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,264,442	\$ 2,429,028	\$ -	\$ 3,693,470
Construction in progress	<u>949,321</u>	<u>1,353,757</u>	<u>(1,593,667)</u>	<u>709,411</u>
Total capital assets, not being depreciated	<u>2,213,763</u>	<u>3,782,785</u>	<u>(1,593,667)</u>	<u>4,402,881</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	310,297	479,159	-	789,456
Buildings and improvements	19,560,151	1,164,214	-	20,724,365
Furniture, fixtures and equipment	1,375,797	88,732	-	1,464,529
Vehicles	1,221,605	108,311	-	1,329,916
Infrastructure	<u>610,724</u>	<u>1,053,802</u>	<u>-</u>	<u>1,664,526</u>
Total capital assets, being depreciated	<u>23,078,574</u>	<u>2,894,218</u>	<u>-</u>	<u>25,972,792</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(81,737)	(22,465)	-	(104,202)
Buildings and improvements	(1,166,509)	(428,145)	-	(1,594,654)
Furniture, fixtures and equipment	(652,617)	(180,301)	-	(832,918)
Vehicles	(951,440)	(53,656)	-	(1,005,096)
Infrastructure	<u>(2,821)</u>	<u>(14,385)</u>	<u>-</u>	<u>(17,206)</u>
Total accumulated depreciation	<u>(2,855,124)</u>	<u>(698,952)</u>	<u>-</u>	<u>(3,554,076)</u>
Total capital assets, being depreciated, net	<u>20,223,450</u>	<u>2,195,266</u>	<u>-</u>	<u>22,418,716</u>
Governmental activities capital assets, net	<u>\$ 22,437,213</u>	<u>\$ 5,978,051</u>	<u>\$ (1,593,667)</u>	<u>\$ 26,821,597</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-type Activities:</u>	Balance <u>12/31/04</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 11,837	\$ -	\$ -	\$ 11,837
Construction in progress	<u>-</u>	<u>103,429</u>	<u>-</u>	<u>103,429</u>
Total capital assets, not being depreciated	<u>11,837</u>	<u>103,429</u>	<u>-</u>	<u>115,266</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,965	-	-	1,965
Buildings and improvements	230,991	-	-	230,991
Furniture, fixtures and equipment	105,693	-	-	105,693
Infrastructure:				
Water mains	4,314,700	-	-	4,314,700
Storm sewer mains	3,290,328	-	-	3,290,328
Sanitary sewer mains	<u>2,308,234</u>	<u>-</u>	<u>-</u>	<u>2,308,234</u>
Total capital assets, being depreciated	<u>10,251,911</u>	<u>-</u>	<u>-</u>	<u>10,251,911</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,965)	-	-	(1,965)
Buildings and improvements	(141,773)	(2,530)	-	(144,303)
Furniture, fixtures and equipment	(33,427)	(3,494)	-	(36,921)
Infrastructure:				
Water mains	(1,152,591)	(65,770)	-	(1,218,361)
Storm sewer mains	(585,977)	(50,275)	-	(636,252)
Sanitary sewer mains	<u>(595,934)</u>	<u>(34,924)</u>	<u>-</u>	<u>(630,858)</u>
Total accumulated depreciation	<u>(2,511,667)</u>	<u>(156,993)</u>	<u>-</u>	<u>(2,668,660)</u>
Total capital assets, being depreciated, net	<u>7,740,244</u>	<u>(156,993)</u>	<u>-</u>	<u>7,583,251</u>
Business-type activities capital assets, net	<u>\$ 7,752,081</u>	<u>\$ (53,564)</u>	<u>\$ -</u>	<u>\$ 7,698,517</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

C. Depreciation expense was charged to functions/programs of the Village as follows:

Governmental activities:

General government	\$ 50,894
Security of persons and property	67,814
Transportation	60,197
Leisure time activity	492,827
Public health and welfare	20,376
Economic development	<u>6,844</u>
Total depreciation expense - governmental activities	<u>\$ 698,952</u>

Business-type activities:

Water	\$ 66,026
Sewer	<u>90,967</u>
Total depreciation expense - business-type activities	<u>\$ 156,993</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In 2002, the Village entered into a capitalized lease for an air conditioning system. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of building improvements have been capitalized in the amount of \$941,325. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2005 was \$131,786, leaving a current book value of \$809,539. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2005 fiscal year totaled \$83,864 paid by the debt service fund.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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

<u>Year Ending December 31</u>	<u>Total</u>
2006	\$ 120,785
2007	120,786
2008	120,786
2009	120,786
2010	120,786
2011	<u>120,786</u>
Total future minimum lease payments	724,715
Less: amount representing interest	<u>(118,446)</u>
Present value of future minimum lease payments	<u>\$ 606,269</u>

NOTE 11 - OPERATING LEASE - LESSEE DISCLOSURE

The Village leases golf carts under two noncancelable operating leases with E-Z Go/Textron and leases a pick-up truck through Fifth-Third Leasing under a noncancelable lease which expires on October 25, 2006. Operating lease payments are reported as program expenditures on the financial statements. Total operating lease payments in 2005 totaled \$36,912 in the general fund and \$18,949 in the capital projects fund.

The following is a schedule of future minimum lease payments:

<u>Year Ending December 31</u>	<u>Fifth Third</u>	<u>Textron (1)</u>	<u>Textron (2)</u>	<u>Total</u>
2006	\$ 4,079	\$ 25,242	\$ 19,056	\$ 48,377
2007	<u>-</u>	<u>25,242</u>	<u>19,056</u>	<u>44,298</u>
Total future minimum lease payments	<u>\$ 4,079</u>	<u>\$ 50,484</u>	<u>\$ 38,112</u>	<u>\$ 92,675</u>

NOTE 12 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the statement of net assets to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary fund type employees is expensed when earned and has been recorded in the fund.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 - VACATION AND SICK LEAVE LIABILITY - (Continued)

Upon termination of Village service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2005, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$134,734 and vested benefits for sick leave, net of amounts paid using current expendable available resources, totaled \$61,554. For proprietary fund types, vested benefits for vacation leave totaled \$10,753 and vested benefits for sick leave totaled \$26,893 at December 31, 2005. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16 and an additional liability for employees with ten or more years of governmental service who are entitled to receive a portion of their sick leave balance regardless of the means by which they separate employment from the Village.

NOTE 13 - LONG-TERM OBLIGATIONS

A. During 2005, the following activity occurred in the governmental activities long-term obligations:

<u>Governmental Activities:</u>	Restated Balance 12/31/04	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/05	Amounts Due in One Year
Income Tax Revenue Bonds	\$ 15,300,000	\$ -	\$ (625,000)	\$ 14,675,000	\$ 640,000
Notes Payable	-	4,900,000	-	4,900,000	4,900,000
OPWC Loan Payable - East Main Street	594,460	-	-	594,460	-
OPWC Loan Payable - Hamilton Road	36,927	263,591	-	300,518	-
Capital Lease Payable	690,133	-	(83,864)	606,269	88,350
Compensated Absences Payable	<u>170,153</u>	<u>135,781</u>	<u>(109,646)</u>	<u>196,288</u>	<u>134,734</u>
Total Governmental Activities	<u>\$ 16,791,673</u>	<u>\$ 5,299,372</u>	<u>\$ (818,510)</u>	<u>\$ 21,272,535</u>	<u>\$ 5,763,084</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee is paid. This includes the general fund and the street maintenance and repair fund, a nonmajor governmental fund.

Income Tax Revenue Bonds: On October 1, 2002, the Village issued income tax revenue bonds for the purpose of constructing, furnishing and equipping a recreation center with related facilities, site improvements and to advance refund the 1996 general obligation capital facilities bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The Village used \$1,291,606 from the issuance to purchase securities which were placed in an irrevocable trust which will provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the applicable liabilities have been removed from the financial statements. The refunding resulted in an economic gain of \$142,988. The principal balance of the general obligation capital facilities refunded bonds at December 31, 2005 was \$770,000.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Land Acquisition and Improvement Notes: On January 18, 2005, the Village issued \$4,900,000 in bond anticipation notes, bearing an interest rate of 2.50%, for the purchase of a golf course and the construction of certain public infrastructure improvements. The notes mature on January 18, 2006.

OPWC Loans: The Village has two OPWC loans: one for the East Main Street improvement project and the second for the Hamilton Road Improvement project. Both loans have an interest rate of 0%.

Except for compensated absences, all debt is expected to be paid from the debt service fund.

The following is a summary of the Village's future annual debt service principal and interest requirements:

<u>Year</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 640,000	\$ 632,945	\$ 1,272,945
2007	650,000	618,865	1,268,865
2008	670,000	602,615	1,272,615
2009	685,000	583,855	1,268,855
2010	710,000	563,305	1,273,305
2011 - 2015	3,955,000	2,400,055	6,355,055
2016 - 2020	5,000,000	1,365,500	6,365,500
2021 - 2025	2,365,000	178,750	2,543,750
Total	<u>\$ 14,675,000</u>	<u>\$ 6,945,890</u>	<u>\$ 21,620,890</u>

<u>Year</u>	<u>Land Acquisition and Improvement Notes</u>			<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 4,900,000	\$ 146,592	\$ 5,046,592	\$ -	\$ -	\$ -
2007	-	-	-	-	-	-
2008	-	-	-	89,498	-	89,498
2009	-	-	-	89,498	-	89,498
2010	-	-	-	89,498	-	89,498
2011 - 2015	-	-	-	447,489	-	447,489
2016 - 2020	-	-	-	178,995	-	178,995
Total	<u>\$ 4,900,000</u>	<u>\$ 146,592</u>	<u>\$ 5,046,592</u>	<u>\$ 894,978</u>	<u>\$ -</u>	<u>\$ 894,978</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2005, the following activity occurred in the business-type activities long-term obligations:

<u>Business-Type Activities</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Amounts Due in One Year</u>
Compensated Absences Payable	\$ 35,345	\$ 11,887	\$ (9,586)	\$ 37,646	\$ 10,753

C. Legal Debt Margins

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2005, the Village's total voted debt margin was \$16,053,849 and the unvoted debt margin was \$11,369,183.

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Village was part of the Ohio Municipal League Joint Self - Insurance Pool an insurance purchasing pool, for general liability, property, auto, crime, forgery, employee liability, public officers liability, and boiler and machinery insurance.

The Village has transferred its risk of loss to the insurance carrier to the extent of the limits shown below.

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
<u>Property</u>		\$1,000
	\$17,277,751	
<u>General Liability:</u>		
Per occurrence	\$1,000	\$3,000,000
Annual aggregate	1,000	3,000,000
<u>Inland Marine:</u>		
Accounts Receivable	\$1,000	\$250,000
Contractors Equipment	500	503,776
Police Equipment	500	112,836
Fire Equipment	500	20,500
EDP	500	191,000
<u>Vehicles</u> :		
Comprehensive	\$1,000	\$1,000,000
Collision	1,000	1,000,000

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - RISK MANAGEMENT (Continued)

A. Comprehensive (Continued)

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
<u>Employees:</u>		
Public Officials Liability	\$1,000	\$3,000,000
Employee Benefit Liability	1,000	1,000,000
Municipal Attorney and Law Director's Liability	1,000	1,000,000
Medical Payments	-	5,000

B. Health Insurance

Through October 1, the Village was a member of the Central Ohio Health Care Consortium, an insurance purchasing pool, which provides health insurance benefits for full-time employees who wish to participate in the plan. The pool consists of five political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The Village pays monthly contributions to the Consortium, which are used to cover claims and administrative costs, and to purchase excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Plan for medical claims paid for an individual in excess of \$125,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Plan for aggregate claims in excess of \$4,990,568 to a maximum of \$1,000,000 annually. In the event that the losses of the Consortium in any year exceeds amounts paid to the Consortium, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered claims losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. After October 1, the Village obtained commercial health insurance coverage with Anthem.

C. Workers' Compensation

The Village participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald Company. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The Village's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement and public safety. For those classifications, the Village's pension contributions were 12.7% of covered payroll. In addition to the Village's required contribution, the Village elects to pay 3.0% of the employees share. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's contributions to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$700,356, \$356,444, and \$151,836, respectively; 84.31% has been contributed for 2005 and 100% for 2004 and 2003. \$109,876 represents the unpaid contribution for 2005 and is recorded as a liability in the respective funds.

B. Ohio Police and Fire Pension Fund

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% for police officers. The Village has no firefighters. In addition to the Village's required contributions the Village elects to pay 3.0% of the employee's share. The Village's required contributions to OP&F for the years ended December 31, 2005, 2004, and 2003 were \$318,608, \$264,172, and \$137,844, respectively; 81.47% has been contributed for 2005 and 100% for 2004 and 2003. \$59,048 represents the unpaid contributions for 2005 and is recorded as a liability within the respective funds.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. The Village's actual employer contributions for 2005 which were used to fund postemployment benefits were \$206,747. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. At December 31, 2005, the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS (Continued)

A. Ohio Public Employees Retirement System (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$126,626 for police. The Village has no firefighters. The OP&F's total health care expense for the year ended December 31, 2005 was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the Village is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) is presented for the general fund and is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement (as reported in the fund financial statements) to the budgetary basis statement for the governmental fund for which a budgetary basis statement is presented.

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ 39,112
Net adjustment for revenue accruals	13,052
Net adjustment for expenditure accruals	(132,584)
Net adjustment for other financing sources/ (uses)	785,933
Adjustment for encumbrances	<u>33,607</u>
GAAP basis	<u>\$ 739,120</u>

NOTE 18 - CONTINGENCIES

A. Grants

The Village receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual opinion units included herein or on the overall financial position of the Village at December 31, 2005.

B. Litigation

The Village is a party in legal proceedings. The Village is of the opinion that the ultimate disposition of all claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 19 - SUBSEQUENT EVENTS

During 2006, the Village received \$204,864 in OPWC Loan proceeds for the Bixby Road improvement projects. The loans have an interest rate of 0.0%.

On January 18, 2006 the Village refinanced the Land Acquisition and Improvements Notes for \$4,900,000, bearing an interest rate of 3.48% and maturing on January 17, 2007.

On January 17, 2007, the Village refinanced the Land Acquisition and Improvements Notes for \$4,900,000, bearing an interest rate of 4.25% and maturing on July 30, 2008.

On July 31, 2007, the Village issued \$600,000 in Water System Improvement Notes bearing an interest rate of 4.25% and maturing on July 30, 2008.

On January 16, 2008, the Village refinanced the Land Acquisition and Improvements Note for \$4,600,000 bearing an interest rate of 3.48% and maturing on January 15, 2009.

On July 31, 2008, the Village refinanced the \$600,000 in Water System Improvement Notes bearing an interest rate 4.25% and maturing on July 30, 2009.

NOTE 20 – MANAGEMENT PLAN

As of December 31, 2005, total assets were \$6,114,324, total liabilities were \$5,290,551, and total fund balances were \$823,773. Of these amounts, the General Fund comprised of \$2,324,752 of assets, \$3,951,798 of liabilities and (\$1,627,046) of fund balances.

At August 31, 2008, the Village's General Fund had a cash fund balance of \$2,623,497.

Administration and finance worked to solve issues from 2003/2004 that had a major effect on 2005/2006. We worked with the AOS to make audit adjustments in December 2006 and January 2007 that originated in the 2004 audit.

The change to CMI budgetary system occurred in January 2005. CMI has functioned well, we could account for all checks, expenses, and revenue. The system will not allow us to close the month without balancing. We could not balance bank to book in 2005/2006 due to adjustments not being made. We added the CMI payroll system in 2006.

We have returned to a modified cash basis for 2007 due to the non acceptance of our capital asset report. We will delay the implementation of capital assets till we become a city. This could potentially occur in 2011.

Our management plan will incorporate all audit information and recommendations to our current system. There are improvements to 2007 and everything should be complete in 2008.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Groveport
Franklin County
655 Blacklick Street
Groveport, Ohio 43125

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Groveport, Franklin County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 3, 2008. We qualified our report on the Governmental Activities, Business-Type Activities, Water and Sewer Funds for lack of sufficient evidence to support capital assets. We also qualified our opinion on the Business-Type Activities, Water and Sewer Funds for lack of sufficient evidence to support charge for services revenues. Except as discussed in the preceding sentence, 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*.

Internal Control 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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2005-001 through 2005-007 and 2005-017 through 2005-025.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2005-001 through 2005-005 and 2005-017 through 2005-022 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 3, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-016.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 3, 2008.

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.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 3, 2008

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

Finding Number	2005-001
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Income Tax Allocation and Posting – Material Weakness/Significant Deficiency/Noncompliance Finding

The Village has several authoritative sources dictating the allocation of its income tax revenues. Village Codified Ordinance Section 181.15, approved by Council on January 4, 1993, states, in part, income taxes should be allocated in the following manner: such parts shall be necessary to defray all costs of collecting the taxes and the cost of administering and enforcing the provisions into the Income Tax Revenue Fund, not more than 47 percent of the net available income tax receipts received annually may be allocated to the General Fund, and the remaining 53 percent of the net available income tax receipts received annually shall be set aside in the Capital Improvement Fund.

Ordinance 92-96, approved by Council on January 13, 1997, established a Rainy Day Fund and required that \$100,000 of annual income tax receipts be allocated to the fund. Additionally, the Village's debt transcripts for its 2002 Income Tax Revenue Bonds require the Village to make all principal and interest payments using income tax receipts from the Debt Service Fund.

On July 9, 2007, Council approved Ordinance 07-033, which authorized a different allocation of income tax revenues, retroactive to January 2005. Ordinance 07-033 repealed Village Codified Ordinance Section 181.15 and provided that income tax receipts collected as of January 1, 2005 shall be disbursed in the following manner: One Hundred Thousand Dollars (\$100,000) of receipts collected shall be applied to the Rainy Day Fund; 80 percent of the net available income tax receipts received annually may be used to defray general operating expenses of the Village and may be appropriated to the General Fund of the Village (included in this amount shall be those amounts necessary to defray all costs of collecting the taxes and the cost of administering and enforcing the provisions); and the remaining 20 percent of the net available income tax receipts received annually shall be set aside in the Debt Retirement Fund thereby satisfying the Village's obligations with the remaining receipts to be applied to the Capital Improvement Fund and used for capital improvements of the Village.

However, the 2005 income tax receipts were not allocated in accordance with the ordinances in place during 2005 or the retroactive ordinance approved in July 2007. Income tax receipts were posted to incorrect funds and to incorrect account codes within funds. Additionally, income tax collection fees and income tax revenue sharing payments were posted to the accounting system as negative income tax revenues (revenue reversals) rather than as expenditures. Further, income tax collection fees and refunds for January and February 2005 were not posted to the accounting system. This resulted in the following audit adjustments:

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-001 (Continued)
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**Income Tax Allocation and Posting – Material Weakness/Significant Deficiency/Noncompliance Finding
(Continued)**

Fund - Account	Revenue Audit Adjustments	Expenditure Audit Adjustments	Net Effect on Fund Balance
General Fund - Income Taxes	\$586,379		
General Fund - Intergovernmental	(37,752)		
General Fund - Investment Income	7,412		
General Fund - Other	401		
General Fund - General Government		707,789	
Total General Fund	556,440	707,789	(151,349)
Debt Service Fund - Income Taxes	105,792		105,792
Capital Improvement Fund - Income Taxes	62,194		62,194
Tree Fund - Intergovernmental	(37,781)		(37,781)
Water Fund - Charges for Services	1,543		1,543
Grand Total	\$688,188	\$707,789	(\$19,601)

We recommend the Village allocate income tax receipts in accordance with ordinances approved by Village Council. We also recommend the Village post all income tax collection fees and revenue sharing payments to its accounting ledgers as expenditures, rather than as revenue reversals.

Officials' Response: An ordinance was passed to reallocate funds 80 percent to the General Fund and 20 percent to the Capital Improvement Fund. To insure funding of General Fund obligations, after the major capital improvements of 2002, 2003, and 2004 that contributed to excessive General Fund spending. Council voted in 2004 to halt spending on additional capital spending after establishing the recreation center and aquatic center. This is to allocate enough funds to the General Fund to operate. Funding was still contributed to the debt payment, which is capital.

Finding Number	2005-002
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Deficient Accounting Records – Material Weakness/Significant Deficiency/Noncompliance Finding

Ohio Admin. Code Section 117-2-02 states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. It also states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-002 (Continued)
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**Deficient Accounting Records – Material Weakness/Significant Deficiency/ Noncompliance Finding
(Continued)**

The Village's accounting system and accounting records were deficient, as follows:

- **Expenditure Records:** Invoices or other billing documentation were not maintained in the voucher files for 31.5 percent of non-payroll expenditures tested. Additionally, 15 percent of expenditures tested had check dates that did not match the Expenditure Ledger. Furthermore, the case files for Automatic Data Processing (ADP) discrepancies were not properly maintained.
- **Receipt Records:** Virtually all January and February 2005 receipts (totaling \$1,067,098 and \$213,044, respectively) were not posted until the last day of the month. Throughout 2005, 23.8 percent of departmental receipts tested were untimely posted. Receipts were frequently posted to the accounting system by aggregating several amounts from several different purposes and posting them using one receipt number. The maintenance of underlying receipt records and the aggregation of receipts resulted in a difficult and lengthy process to determine that each receipt was posted to the correct account code; was only posted once; and agreed to the corresponding deposit on the bank statements, which could be performed for receipts other than water and sewer utility receipts denoted below, which inhibits management's ability to monitor receipts and correct errors in a timely basis.
- **Capital Asset Records:** The Village did not present sufficient competent evidence to support the activities, balances, and disclosures for capital assets. The Village's capital asset listing does not contain complete descriptions and locations for most of the assets. Several assets are bundled into groups (i.e. "mowers") and the Village has not assigned asset tag numbers or performed a physical inventory count since 1998 and has no formal addition and disposal procedures. There is also no listing of the corresponding vouchers related to the assets and no formal capital asset policy.

Tracking and trending specific assets becomes increasingly difficult for underground water and sewer lines. As of December 31, 2005, the Village's capital asset listing had 190 water lines and 261 sewer lines totaling \$4,314,700 and \$5,598,562, respectively. Only 1 water line has an indication of its location. No capital contributions have been recorded since 2000 (which primarily would have consisted of infrastructure), despite developments being constructed in the Village between 2001 and 2005. Additionally, as of December, 31, 2005, Governmental Activities furniture, fixtures and equipment totaled \$1,464,529. However, asset deletions in that category have only been recorded once since the year 2000 (\$18,169 of deletions recorded in 2002), which further indicates lack of tracking asset deletions. Furthermore, sales and purchases of land, infrastructure projects undertaken, and improvements to buildings are not commensurate with reported levels due to noted completeness issues that could not be quantified.

We were unable to gain assurances through other auditing procedures over completeness for capital assets for the Water and Sewer Funds, Governmental or Business Type Activities.

- **Water and Sewer Utility Records:** Several deficiencies were noted with the utility billing system and receipts. See Findings 2005-020 and 2005-021 for further details. We were also unable to gain assurances through other auditing procedures over completeness for Water or Sewer Charges for Services for the Water and Sewer Funds, as well as Business Type Activities.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-002 (Continued)
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Deficient Accounting Records – Material Weakness/Significant Deficiency/Noncompliance Finding (Continued)

As a result of these conditions, 72 audit adjustments to the financial statements resulted due to transactions being misposted (see Finding 2005-019 for further details); additional audit charges were incurred; and the Village was unable to receive an unqualified opinion on its financial statements for capital assets and enterprise charge for services.

We recommend the Village maintain an accounting system and accounting records sufficient to enable it to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. We also recommend that the Village assign and track asset tab numbers on its assets. We recommend the Village maintain an up-to-date asset inventory listing which includes the original purchase check number; asset tag number; and the description and location of each asset. Finally, we recommend the Village adopt and implement formal policies for record retention and capital assets.

Officials' Response: All of our expenditure records should be maintained with vouchers. Check date issues were hand checks issued and input to the system following issuance. Hand checks are kept in a separate file also, for easier access. Receipts in January were input at month end due to the installation of the new CMI software. Nothing was input during the month. Some receipts will always be posted after the date they hit our account. We have a very small staff. Capital assets were added to our accounting as they had been in the past. The capital assets were valued in 1997. We were just maintaining. I provided the information in book form; we cannot identify the assets by the valuation provided. Since we do not have to present capital assets under GAAP until we become a city, we will go to cash basis. We will revalue our capital assets when required (2011 if we become a city).

Finding Number	2005-003
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Use of Revenues and Negative Fund Balances – Material Weakness/Significant Deficiency/Noncompliance Finding

Ohio Rev. Code Section 5705.10(D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

During 2005, the Village posted revenues to incorrect funds, as follows:

- Ohio Department of Development Grant for \$271,962 posted to Other Revenue in the General Fund that should have posted to Intergovernmental Revenue in the Capital Improvement Fund.
- Charges for Services receipts for \$1,225 posted as Licenses and Permits in the Building Standards Fund that should have been posted to the Park Fund.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-003 (Continued)
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Use of Revenues and Negative Fund Balances – Material Weakness/Significant Deficiency/Noncompliance Finding (Continued)

- Water Surcharge receipts for \$2,800 posted in the General Fund that should have been posted to the Water Operating Fund.
- Water Surcharge receipts for \$5,329 posted in the Water Capital Fund that should have been posted to the Water Operating Fund.
- Sanitary sewer tap-in fees for \$35,308 posted in the Building Standards Fund that should have been posted to the Sanitary Sewer Capital Fund.
- Sanitary sewer operating receipts for \$39,756 were posted in the Water Operating Fund instead of the Sanitary Sewer Operating Fund.

Further, income tax revenue and investment income were posted to incorrect funds (see Findings 2005-001 and 2005-006 for further details). All of the above items resulted in audit adjustments which are reflected in the accompanying basic financial statements and the Village's accounting records.

Additionally, the Village had the following negative fund balances at December 31, 2005:

Fund #	Fund Name	December 31, 2005 Fund Balance
101	General Fund	(\$2,211,639)
301	Debt Service Fund	(338,246)
703	Township Inspection Fund	(601)
707	Tree Fund	(85,948)

The Village should monitor revenues, expenditures, and fund balances to ensure revenues are posted to proper funds and expenditures are made within appropriated levels of available funds for proper expenditures within the allowable uses of revenues received. If negative fund balances are anticipated, Council should make an approved transfer or advance of funds to cover the necessary expenditures. The Village should refer to Auditor of State Bulletin 97-003 on the guidelines for advances.

Officials' Response: Will be addressed.

Finding Number	2005-004
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Issue II (OPWC Funding) and Unrecorded Loans - Material Weakness/Significant Deficiency/Noncompliance Finding

Ohio Rev. Code Section 5705.42 states, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. Additionally, in accordance with Auditor of State Bulletin 2002-004 dated May 28, 2002, the Village should record each direct payment of Issue II monies to the contractor as a receipt and corresponding expenditure.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2005-004 (Continued)
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Issue II (OPWC Funding) and Unrecorded Loans - Material Weakness/Significant Deficiency/Noncompliance Finding (Continued)

During 2005, the Finance Director did not record Issue II Ohio Public Works Commission (OPWC) grant and loan monies in the Capital Improvement Fund totaling \$315,840. This includes \$52,249 in grant monies that were received through a direct payment to the vendor, for which the Village did not record the receipt and the corresponding expenditure, and \$263,591 in loan proceeds that were unrecorded. As noted in Finding 2005-019, the financial statements and accounting records have been adjusted to reflect this activity.

As a result of this unrecorded loan activity and other prior period restatements for OPWC loans, \$894,978 in OPWC loans payable were unrecorded on the Village's financial statements as of December 31, 2005. Also as noted in Finding 2005-019, the accompanying basic financial statements have been adjusted to reflect the correct loan activity and beginning and ending balances.

We recommend the Village record each payment of Issue II monies as a receipt and expenditure when OPWC payments are made on the Village's behalf to project vendors. Further, we recommend the Village assess the funding type of each receipt and ensure it is properly posted as either intergovernmental revenue or proceeds of loans.

Officials' Response: A pass through should have occurred. We do not actually receive the funds and disperse. They are paid directly to our contractor and should be shown as a receipt and expense resulting in a 0 balance effect on the cash ledgers. We have implemented this in our new system, so it is displayed on our books.

Finding Number	2005-005
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Segregation of Duties – Material Weakness/Significant Deficiency/Noncompliance Finding

Ohio Admin. Code Section 117-2-01(D)(4) states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. Besides segregation within the accounting function, there should be segregation among those with access to the different divisions of the CMI computer system.

The computer access rights of all three Finance Department employees are set up in a manner which provides the capability of performing all receipt and expenditure accounting functions which include: creation of vendors, requisitions, and purchase orders; invoice entry; check processing; receipt processing; and monthly balancing. Also, all three employees are authorized check signers. There is no dollar threshold on checks that can be signed, and checks only need to have one signature.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-005 (Continued)
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Segregation of Duties – Material Weakness/Significant Deficiency/Noncompliance Finding (Continued)

Also, three employees have the highest level of access rights to the utility system applications, which gives them access to applications outside their established job duties and does not establish appropriate checks and balances on duties or entries into the accounting system.

This resulted in adjustments and reclassifications denoted in Finding 2005-019 and could result in further errors, irregularities, and/or fraud (theft) occurring and remaining undetected for an extended period of time.

We recommend the Village provide for adequate segregation of duties in its accounting processing. This should be, but not limited to, ensuring an employee is not capable of accessing all aspects of an account process and has access rights commensurate with only established job duties. We also recommend the Village Council monitor financial activity closely via documented monthly reviews of financial reports.

Officials' Response: We are a small office. We have interchangeable duties. We must all be able to do the others function. The finance director signs off on all deposits originating in finance also all expenditures channel through a minimum of two people. We all must be able to do payroll. We need back up for signing checks. Vacations must be covered; leave for illness and other related issues must be covered. Multiple people review all our accounts to assure that there are no irregularities.

Finding Number	2005-006
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Interest – Significant Deficiency/Noncompliance Finding

Ohio Const. Art. XII, Section 5a and 1982 Op. Atty Gen. No. 82-031 require that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

\$12,677 of Interest earned in 2005 on permissive motor vehicle and fuel tax receipts was improperly credited to the General Fund. The \$12,677 should have been posted as follows:

Fund	Amount
Street Maintenance and Repair	\$9,249
State Highway Improvement	201
Motor Vehicle License Tax	<u>3,227</u>
Total	\$12,677

The Village's financial statements and accounting records have been adjusted to properly post these revenues to the correct funds.

We recommend interest revenue to be allocated in accordance with applicable statutory requirements on a monthly basis.

Officials' Response: In the past all interest was deposited in the General Fund. We performed as previous years and deposited to General Fund. Because we felt based on the ORC all revenue derived from a source other than the general property tax, For which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the General Fund.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-007
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Transfers – Significant Deficiency/Noncompliance Finding

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. *See also* 1989 Op. Att’y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.) In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

Transfers Out of Fund	Transfers Into Fund	Amount
Parks Fund	Tree Fund	10,387

The transfer documented above was not allowable, in addition to not being approved by resolution of the Village Council, and as a result was disallowed and reversed by an audit adjustment on the Village’s financial statements and accounting records. See Finding 2005-019.

We recommend all transfers of funds desired be authorized by resolution of the Village Council and the taxing authority (if applicable), in accordance with applicable statutory requirements, prior to transfer of such funds by the Finance Director.

Officials’ Response: Officials did not submit a substantive response.

Finding Number	2005-008
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Cash Collection Points - Noncompliance Finding

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The Village receives cash at numerous collection points including but not limited to, the recreation center, the aquatic center, the golf course, the building and zoning department, and the front desk at the Municipal Building. These collections range from under \$100 up to \$10,000 per day. Monies collected at the recreation center, aquatic center, and the golf course are deposited by employees of those locations. Monies collected at the building and zoning department and the front desk are put in a safe to be collected and deposited by the Finance Department.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2005-008 (Continued)
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Cash Collection Points - Noncompliance Finding (Continued)

20 percent of recreation and aquatic center receipts tested, 3 percent of golf course receipts tested, 33 percent of building and zoning department receipts tested, and 40 percent of the front desk receipts tested were not deposited within the depository parameters of the Village's policy and Ohio Rev. Code Section 9.38. Further, all full-time employees at the recreation and aquatic center have access to the safe, which could contain \$200 in petty cash money and all nightly deposit bags. This increases the risk that cash could be stolen or lost without being detected in a timely manner by management.

We recommend the Village follow the Council approved Ordinance 2000-001 regarding the depositing of receipts from its collection points. All receipts that exceed \$1,000 must be deposited the next business day and those that do not exceed the threshold, must be safeguarded until deposited and must be deposited within three business days. We further recommend the Village establish procedures at the recreation and aquatic center that would reduce the likelihood that theft of monies could occur and go undetected by management, including limiting access to the safe.

Officials' Response: We use the night drop at Huntington Bank. We also have safes at the Rec center, Golf course and municipal bldg. There are also instances in summer when twice daily deposits are done with a police escort.

Finding Number	2005-009
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Filing Annual Report - Noncompliance Finding

Ohio Rev. Code Section 117.38 states that public offices reporting pursuant to generally accepted accounting principles must file annual reports with the Auditor of State within 150 days following the close of fiscal year end. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Also, at the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The Village did not file its annual GAAP financial report to the Auditor of State for fiscal year ending December 31, 2005 until June 27, 2007, and did not file for an extension. Additionally, due to the numerous audit adjustments required to be made, the report filed was inaccurate and incomplete. The filing delays were primarily due to deficiencies in the Village's accounting and reporting process, which includes unposted and unreconciled records. Furthermore, the Village failed to provide notice in a local newspaper that the financial report was available for public inspection.

We recommend the Village file their annual GAAP financial report to the Auditor of State within 150 days of fiscal year end and ensure the filing is accurate and complete. We further recommend the annual report be publicized in a local newspaper stating the financial report is available for public inspection at the office of the Finance Director.

Officials' Response: Officials did not submit a substantive response.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-010
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Bonding – Noncompliance Finding

Ohio Rev. Code Section 705.27 states that the treasurer, auditor, and such other officers or employees of the municipal corporation as the legislative authority directs, shall give a bond to the municipal corporation for the faithful performance of their duties, in such sum as the legislative authority fixes by ordinance or resolution. In addition, ORC 733.69 states each officer of a municipal corporation required by law or ordinance to give bond shall do so before entering upon the duties of the office, except as otherwise provided in Title VII [7] of the Revised Code Premiums on official bonds may be paid by the municipal corporation.

The Village Finance Director did not receive bonding prior to hiring and did not obtain bonding throughout the fiscal year. Additionally, the Village Council has not authorized the bond amount to be set.

Failure to secure an appropriate bond for the Finance Director may result in the Village being exposed to liabilities of theft or error in the event of a loss from the occurrence of such an event.

We recommend the Village execute a bond for the Finance Director in an amount approved by Village Council commensurate with the Finance Director's job duties.

Officials' Response: We have never had separate bonds in the village, our insurer, OML joint insurance pool, insures us for theft. A Separate theft policy has been provided. I have acquired \$10,000 bond on myself beginning 2008.

Finding Number	2005-011
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Appropriations Exceeding Estimated Resources – Noncompliance Finding

Ohio Rev. Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in the case of appeal, by the board of tax appeals.

The funds listed in the chart below had appropriations in excess of estimated resources at December 31, 2005:

Fund #	Fund Name	Estimated Resources	Appropriations	Variance
101	General Fund	\$ 4,595,989	\$ 8,527,526	\$ (3,931,537)
202	State Highway Improvement Fund	22,046	25,000	(2,954)
204	Parks Fund	67,459	120,000	(52,541)
213	DUI/OMVI Enforcement Fund	3,638	17,000	(13,362)
217	Court Computer Fund	38,332	50,587	(12,255)
301	Debt Service Fund	1,200,000	6,314,327	(5,114,327)
401	Capital Projects Fund	2,569,117	4,900,000	(2,330,883)
502	Sanitary Sewer Fund	780,279	1,020,170	(239,891)
503	Water Capital Fund	(44,945)	2,700,000	(2,744,945)
704	Escrow and Inspections Engineering	104,711	200,000	(95,289)

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2005-011 (Continued)
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Appropriations Exceeding Estimated Resources – Noncompliance Finding (Continued)

This could result in the Village expending more money than it receives and being unable to meet current obligations for the funds listed above. As noted in Finding 2005-003, this did result in year-end negative fund balances for the General Fund and Debt Service Fund.

We recommend the Village Council periodically monitor estimated resources and appropriations and ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment. If there are insufficient resources, the Village Council should reduce appropriations accordingly.

Officials' Response: We did not change the estimated resources to exceed the appropriations. We have corrected this in 2008 to comply with ORC. In December we will alter the estimates to look positive. We believe that you should footnote where planning of revenue estimates was deficient and did not achieve the original number. This better achieves correcting your planning, than going in after the fact and changing your estimated resources to look positive or even.

Finding Number	2005-012
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Appropriation Amendments – Noncompliance Finding

Ohio Rev. Code Section 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

During 2005, Council approved an amendment to the Village's appropriations, but it was not submitted to the County Budget Commission.

Ohio Rev. Code 5705.39 states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. Therefore, the failure to submit approved appropriation amendments to the County Budget Commission resulted in ineffective appropriation measures until appropriations were submitted and certifications were obtained. Because appropriations were set at a level exceeding estimated resources, deficit fund balances occurred.

We recommend the Village submit all Council approved appropriations measures to the County Budget Commission for certification.

Officials' Response: We should have alerted the former clerk to send the ordinance to the county auditor.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-013
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Expenditures Exceeding Appropriations – Noncompliance Finding

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2005 at the fund level as follows:

<u>Fund #</u>	<u>Fund Name</u>	<u>Appropriation Authority</u>	<u>Total Expenditures</u>	<u>Variance</u>
501	Water Operating Fund	\$ 297,906	\$ 300,696	\$ (2,790)
701	FEMA Fund	0	43,894	(43,894)

Budgetary expenditures also exceeded appropriations for the year ended December 31, 2005 at the legal level of control as follows:

<u>Account</u>	<u>Fund / Account Name</u>	<u>Appropriation Authority</u>	<u>Total Expenditures</u>	<u>Variance</u>
101-08	General Fund – Audits and Elections	\$ 18,000	\$ 23,088	\$ (5,088)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and could lead to deficit spending practices.

The Finance Director should not certify the availability of funds and should deny payment requests exceeding appropriations. The Finance Director may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response: 501 – Due to issues with the City of Columbus. 701 - FEMA had to be deposited in separate fund, it was moved to cover village funds expended for cleanup.

Finding Number	2005-014
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Certification of Funds – Noncompliance Finding

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity (the Village) from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-014 (Continued)
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Certification of Funds – Noncompliance Finding (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket certificate – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account not extending beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 55 percent of the expenditure transactions tested for 2005 and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Furthermore, for 35.6 percent of the purchase orders tested, authorization and approval of the purchase by the Village Administrator was not documented. This was often due to the Village not generating purchase orders for utility expenditures, service contracts and recreation officiating expenditures.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-014 (Continued)
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Certification of Funds – Noncompliance Finding (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. The Village has also established internal control procedures whereby the Finance Director and Village Administrator are to approve all purchase orders for voucher disbursements prior to the ordering of the good or service. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, the Village Finance Director and Village Administrator should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, “then and now” certification should be used. Proper authorization of purchases is essential to help determine allowability, proper public purpose, proper account posting, and availability of funds for Village expenditures.

The Village should certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Finance Director and Administrator should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio rev. Code Section 5705.41(D) are satisfied. The Finance Director should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response: We place Purchase Orders for most purchases. Exceptions are contractual projects, utilities, and insurance. We do this electronically. We have a specific procedure that must be followed. Our system requires funds to be available to approve a purchase by any department. We do not provide P.O’s for our bulk items or utility payments. They are appropriated specifically for utilities. Finance office reviews all of the aforementioned. We also have an outside firm monitoring our utility bills.

Finding Number	2005-015
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Payroll Expenditures – Noncompliance Finding/Finding for Recovery – Repaid Under Audit

One part-time employee, Scott Wildermuth, was overpaid due to a typographical error for his pay rate in the payroll system. One seasonal employee, Tyler Swartzlander, was overpaid due to a typographical error when the payroll department input the hours worked from his time card.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the employees listed in the chart below, individually, for the corresponding dollar amounts, in favor of the Village of Groveport General Fund. Each is primarily liable for the amount he received in overpayment.

Employee Name	Finding Amount	Finding Amount Repaid Under Audit	Date Amount Repaid
Scott Wildermuth	\$73.78	\$73.78	02/04/08
Tyler Swartzlander	26.84	\$26.84	02/04/08
Total:	\$100.62	\$100.62	

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-015 (Continued)
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**Payroll Expenditures – Noncompliance Finding/Finding for Recovery – Repaid Under Audit
(Continued)**

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Therefore, because Ken Salak, Finance Director, signed both overpayments, he is jointly and severally liable for the entire amount of \$100.62, in favor of the Village of Groveport General Fund.

On February 4, 2008, \$100.62 was repaid by Ken Salak on check number 5460 and posted to the Village’s General Fund.

Officials’ Response: We repaid the finding \$100.62. This was not done intentionally. We processed \$4.6 million in payroll in 2005. Input is done by HR after having paper work approved by administration. This is a .00002% error.

Finding Number	2005-016
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NRMSIR and SID Filing – Noncompliance Finding

17 C.F.R. Section 240.15c2-12, in part, provides that the issuer of bonds must provide a copy of annual financial information to each nationally recognized municipal securities information repository (NRMSIR) and state information depository (SID).

The Village did not submit the annual financial report to the NRMSIR. The Village also did not file the annual financial report with the SID (OMAC) until July 27, 2007.

We recommend the annual financial report be provided to the NRMSIR and SID on a timely basis following the issuance of the annual report. Due to the numerous audit adjustments to the Village’s unaudited information that was filed, we recommend the Village submit audited financial reports upon completion of the audits.

Officials’ Response: We did not receive a response from Officials to this finding.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005-017
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Departmental Receipts – Material Weakness/Significant Deficiency

Each department director should receive detail receipt ledgers monthly from the Finance Department and reconcile the departments' records to the receipts posted to the Village's accounting system. This includes, but is not limited to, the Recreation and Aquatic Center, Building and Zoning Department, Public Works Department, and Golf Course. For those departments that use systems other than CMI for their daily and annual reporting, there should be reconciliations performed among the generated reports from each particular system.

No procedures exist for Department Directors to actively monitor and review the revenue generated by their departments and ensure proper posting on the Village's revenue ledgers. Failure to monitor revenue resulted in improperly posted and reported receipts (see Finding 2005-019) and may result in potential error or theft occurring without the timely detection of management.

The Recreation and Aquatic Centers use RecTrac as their primary reporting system. Discrepancies between actual monies collected and RecTrac reports are primarily reviewed by the Recreation and Aquatic Center Clerk while preparing the bank deposit. Evidence of the review was not consistently indicated on the reports and the differences are only denoted if the cashier or the Recreation and Aquatic Center Clerk are able to determine the reason for the discrepancy. Furthermore, a lack of segregation of duties exists due to the Clerk being the lone individual who counts and makes the deposit.

Additionally, RecTrac reports such as the GL Distribution Report, Individual Cashier Journals, and Receipt Reports were unable to be reconciled amongst each other for all days selected for testing. Online reports that generate from the same data set that do not reconcile to each other further hinders the Recreation and Aquatic Center Clerk from determining the reasons for the discrepancies between actual monies collected and the generated reports. Additionally, month-end and year-end reports were not printed from RecTrac and the RecTrac system can only generate these reports in real time. Due to these reports not being printed and maintained with the limitations of the RecTrac system, a complete listing of all receipts issued during the year is unable to be obtained.

We recommend each director whose department has cash collections receive detail receipt ledgers monthly from the Finance Department and reconcile the departments' records to the receipts posted to the Village's accounting system. Such a review should be evidenced by signing worksheets or reports to demonstrate that reviews have taken place. Discrepancies should be researched and corrected in conjunction with the Finance Department.

Additionally, we recommend the Village establish procedures at the Recreation and Aquatic Center that would reduce the likelihood that theft of monies could occur and go undetected by management, which could include, but are not limited to: segregating the duties of the Recreation and Aquatic Center Clerk, limiting access to the safe, discrepancies between actual monies collected and RecTrac reports being denoted on all daily reports and resolved by the department, and a Department Head review of RecTrac Reports, including the discrepancies. Furthermore, we recommend month-end and year-end reports from the RecTrac system be printed and maintained by the department.

Officials' Response: Officials did not submit a substantive response.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2005-018
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Bank Reconciliations and Monitoring – Material Weakness/Significant Deficiency

Strong monitoring practices of Village financial activities are the responsibility of management and Village Council and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Approved estimates of receipts and disbursements from certificates of estimated resources or appropriation measures should be entered into the accounting system to enable meaningful budget vs. actual comparisons. Additionally, management and Village Council should review the bank to book reconciliation and monthly financial reports of financial activity of the Village including budgeted versus actual receipts and expenditures, fund balance reports, and bank to book reconciliations. Evidence of these reviews should be documented.

The Village did not perform bank to book reconciliations throughout the fiscal year. This resulted in numerous mispostings as notated in Finding 2005-019, which have been adjusted in the accompanying financial statements and accounting records. Additionally, the budgeted amounts on the accounting ledgers were not properly entered, making budget versus actual comparisons provided to Council inaccurate. As of December 31, 2005, estimated receipts on the accounting ledgers were overstated in eight funds totaling \$4,221,090 and understated in eight funds totaling (\$3,558,300). Also, appropriations on the accounting ledgers were overstated in three line items totaling \$540,900 and understated in five line items totaling (\$710,543). Further, prior year carry over encumbrances in the General Fund were overstated by \$37,266.

As a result, inaccurate financial reports were provided to Council to aid in management decisions, which could lead to errors or irregularities occurring which could go undetected by management. This further resulted in numerous audit adjustments and a deficit fund balance in the General Fund at year end.

We recommend the Village reconcile all bank accounts to the books on a timely basis. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Village's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority and by Council and that evidence of these reviews and approvals be documented.

Further, we recommend the Village Council ensure that strong monitoring practices of Village financial activities are implemented and operating effectively. This includes, but is not limited to, management and Council reviewing monthly financial reports and ensuring that they accurately represent underlying budgeted and actual financial activities and cash balances. While evidence of Council's reviews is documented in the minutes, evidence of management's reviews should also be documented by having the managers sign and date the reports that they reviewed.

Officials' Response: We did not attempt to reconcile bank to book because we did not have accurate fund balances due to the problems that occurred with the SSI system in 2004 and prior. We received the 2004 audit adjustments December of 2006 and the adjustments were made December 2006 and May 2007. Since May 2007 we have been attempting to balance bank to book.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-019
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Financial Reporting – Material Weakness/Significant Deficiency

Sound financial reporting is the responsibility of the Village’s Finance Department and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments / reclassifications were made to the financial statements and, where applicable, to the Village’s accounting records:

- Cash receipts totaling \$356,380 were posted to incorrect funds. See Finding 2005-003 for further details.
- The Village had unrecorded expenditures of \$25 in the General Fund and \$128 in the Escrow and Inspections Engineering Fund.
- Income tax revenues were not posted in accordance with Village Ordinances. See Finding 2005-001 for further details of these mispostings.
- Investment income was not posted in accordance with the Ohio Constitution by a total amount of \$12,677. See Finding 2005-006 for further details.
- Investment income unadjusted difference of 2004 due to revenue not posted in accordance with the Ohio Constitution by a total amount of \$17,708.
- Investment income was overstated by \$7,294 due to inaccurate recording of investment income.
- The Village had unrecorded OPWC (Issue II) grant and loan proceeds and corresponding capital outlay expenditures totaling \$315,840. See Finding 2005-004 for further details.
- Charges for Services receipts of \$25,394 were misposted as Other Receipts in the General Fund.
- An unsupported transfer for \$10,387 was made from the Park Fund to the Tree Fund that was reversed. See Finding 2005-007 for further details.
- FEMA disbursement expenditure allocations of \$43,894 were posted as transfers rather than expenditure corrections between the General Fund and FEMA fund.
- An unsupported posting for \$37,781 was made to increase intergovernmental revenue in the Tree Fund and decrease charges for services in the Park Fund that was reversed.
- \$2,749 of Automatic Data Processing (ADP) fees were not recorded to the General Fund.
- The General Fund’s cash fund balance on the Village’s accounting system was understated by \$20,098 as a result of a miskeyed fund balance being entered when the Village switched to new accounting software at the beginning of 2005.
- General Government expenditures in the General Fund were understated by \$835 due to the reconciliation balance entry required for the Village’s statements.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-019 (Continued)
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Financial Reporting – Material Weakness/Significant Deficiency (Continued)

- The Village used improper payroll expenditure allocation methods for Public Works employees, posting all payroll expenditures to the Street Maintenance Fund instead of allocating the expenditures amongst the Street Maintenance, Water Operating, and Sewer Operating funds for which employees had duties commensurate with the funds. This resulted in an overstatement of the Street Maintenance and Repair Fund Transportation Expenditures by \$49,549, and understatement of the Water Operating Fund Personal Services Expenses by \$27,444 and Sewer Operating Fund Personal Services Expenses by \$22,105. See Finding 2005-022 for further details.
- The Village posted revenue reversals, instead of as expenditures totaling \$1,297,131 during 2005. This includes, but is not limited to, the following items:
 - Revenue reversals for payments of income tax collection fees for a total amount of \$110,150 in the General Fund. See Finding 2005-001.
 - Revenue reversals for payments made to Groveport Madison Schools and Duke Realty for income tax revenue sharing agreements for a total amount of \$597,639 in the General Fund. See Finding 2005-001.
 - Revenue reversals for \$210,325 in the Water Operating Fund, \$30,755 in the Water Capital Fund, and \$115,772 in the Sanitary Sewer Operating Fund for a total expenditure amount of \$356,852 that should have been posted as expenditures to the City of Columbus from the Sanitary Sewer Operating Fund.
 - Revenue reversal for \$18,750 in the Sanitary Sewer Capital Fund that should have been a community environment expense of the Building Standards Fund.
 - Revenue reversals for \$10,000 in the Water Capital Fund and \$111,600 in the Sewer Capital Fund for a total expenditure amount of \$121,600 that should have been posted as expenditures to the City of Columbus from the Sanitary Sewer Capital Fund.
 - Revenue reversals for sales tax remittance from the golf course tenant for \$19,541 in the General Fund.
 - Revenue reversals for payments made to the Village Recreation Center fitness instructors for \$32,486 in the General Fund.
 - Revenue reversals for fees collected by Franklin County related to the distribution of personal property and real property taxes for \$40,113 in the General Fund.
- The finance department posts receipts collected by other departments, such as the Recreation and Aquatic Center, Building Department, Golf Course, and Front Desk (collection point for utility receipts), based on deposits made with the bank and not based on the underlying accounting records for these departments. Our testing noted the following related to this issue:
 - 53 percent of Recreation and Aquatic Center receipts tested were posted in this manner resulting in net revenue understatement of \$48.
 - 93 percent of Golf Course receipts tested were posted in this manner resulting in a net revenue understatement of \$345.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-019 (Continued)
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Financial Reporting – Material Weakness/Significant Deficiency (Continued)

- 100 percent of Front Desk and Building Department credit card receipts and 100 percent of Front Desk SMARTTEL receipts were posted in this manner.
- Recreation and Aquatic Center receipts were posted in the following manner: the full deposit was posted to either the recreation center or the aquatic center account code in the General Fund or the split was arbitrary. This did not result in an audit adjustment to the financial statements since both revenue cycles are reported as charges for services in the General Fund. It would, however, hinder management’s ability to monitor these receipts for the programs and identify unusual fluctuations.

The following posting errors were noted during the review of the December 31, 2005 GAAP and budget basis financial statements:

- Reclassifications of original appropriations totaling \$121,888; increase in final appropriations of \$40,385; reclassifications of final appropriations totaling \$81,503; and reclassification of budget basis expenditures of \$635 for the General Fund.
- Restatements of beginning net assets and fund balances (where applicable) were needed for the following:
 - Unrecorded loan liability with the Ohio Public Works Commission (OPWC) totaling \$894,978 at December 31, 2005, \$631,387 of which was applied as a prior period restatement to December 31, 2004. See Finding 2005-004 for further details.
 - Unrecorded income tax revenue sharing liabilities in the General Fund in the amount of \$674,404.
 - Reduction of client-proposed restatement to increase beginning fund balance in the General Fund by \$400,643 rather than \$432,599, and decrease fund balance in the Capital Improvement Fund by the same amounts, due to retroactive resolution by Village Council that changed income tax allocation.
- The Village had several negative cash fund balances at year end, which led to audit adjustments to reclassify those to amounts Due to and from Other Funds.
 - Increase Due from Other Funds in the Capital Improvements Fund by \$216,288
 - Decrease Due to Other Funds in the Debt Service Fund by \$105,792
 - Increase Due to Other Funds in the General Fund by \$236,132
 - Increase Due to Other Funds in the Tree Fund by \$85,948
- Income Taxes Receivable was understated due to the GAAP converter estimating the receivable based on a 6 month period instead of a full year. Additionally, the receivable was not allocated in accordance with Village Ordinances noted in Finding 2005-001, resulting in the following:
 - \$528,976 understatement of the receivable in the General Fund
 - \$50,864 understatement of the receivable in the Debt Service Fund
 - \$43,685 understatement of the receivable in the Capital Improvements Fund

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-019 (Continued)
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Financial Reporting – Material Weakness/Significant Deficiency (Continued)

- Capital assets:
 - Infrastructure was understated and Construction in Progress (CIP) was overstated by \$400,528 due to the Hamilton Road Project being considered CIP as of 12/31/05, but the project was already completed at that date.
 - CIP was understated for the Bixby Road Project for a total of \$460,969 due to: \$174,843 of unrecorded contracts payable and \$22,535 of unrecorded retainage payable (both from the Capital Improvement Fund) in addition to OPWC loan proceeds of \$263,591 paid toward the project were not included in CIP.
- The Village has two income tax revenue sharing agreements, which both had unrecorded liabilities and understated expenditures related to them for the following:
 - Accounts Payable and General Government expenditures were understated by \$214,549 relating to payments owed to Duke Realty from the General Fund.
 - Due to Other Governments and General Government expenditures were understated by \$641,319 relating to payments owed to Groveport-Madison Schools from the General Fund.
- Accounts payable was understated in the Water Fund by \$9,836.
- Accounts payable was understated in the Sewer Fund by \$12,357.
- Due to Other Governments was understated in the Sewer Fund by \$29,764 for payments due to the City of Columbus.
- Accounts Receivable related to billing charges was understated in the Water Fund by \$40,215.
- Motor Vehicle Tax Program Revenues were misclassified as Operating Grants derived for General Government rather than Operating Grants derived for Transportation for \$7,863.
- Net Assets for the Motor Vehicle Tax Fund were misclassified as Net Assets Restricted for Other Purposes rather than Net Assets Restricted for Transportation for \$155,894.
- The fund balance Reserve for Perpetual Care was reclassified to a Designation for Cemetery Care based on the amount of \$33,217 due to not being restricted by enabling legislation.
- Interfund loans made in a prior period were forgiven during 2005 and therefore, were converted to transfers on a GAAP basis as denoted below due to no intent or repay:
 - Increase to Transfers-Out in the Capital Improvements Fund by \$1,053,549.
 - Increase to Transfers-In in the General Fund by \$785,933.
 - Increase to Transfers-In in the Debt Service Fund by \$257,959.
 - Increase to Transfers-In in the Tree Fund by \$9,657.
- The Village did not include the Mayor's Court Account (Agency Fund) balances on the Statement of Fiduciary Net Assets in the amount of \$7,067.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-019 (Continued)
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Financial Reporting – Material Weakness/Significant Deficiency (Continued)

The following aggregated differences/reclassifications were immaterial to the overall financial statements of the Village and were not posted to the December 31, 2005 Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds and Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets for Proprietary Funds:

- General Fund: overstated assets by \$5,432, understated liabilities by \$21,276, understated revenues by \$317,412, and understated expenditures by \$303,650.
- Capital Improvement Fund: overstated assets by \$29,800 and overstated revenues by \$29,800.
- Other Governmental Funds: understated liabilities by \$815 and understated expenditures by \$5,221.
- Water Fund: understated assets and overstated expenditures by \$9,610.
- Sewer Fund: understated assets and overstated revenues by \$16,858.

The following aggregated differences/reclassifications were immaterial to the overall financial statements of the Village and were not posted to the December 31, 2005 Statement of Net Assets and Statement of Activities:

- Governmental Activities: assets were understated by \$221,258, liabilities were understated by \$257,448, revenues were understated by \$32,726, and expenditures were understated by \$57,320.
- Business Type Activities: assets were understated by \$7,248, revenues were overstated by \$16,858, and expenses were overstated by \$9,610.

We recommend the Village develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year. We also recommend the Village implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response:

- 271,962 was recovered from ODOD grant. It should have been posted to capital.
- OPWC should have been a pass through and recorded as revenue and expense, with a zero or wash appearance.
- Charges for services could have been revenue reversals. School resource officer.
- The tree fund should have been credited these funds, it was a correction.
- Posting of receipts I cannot identify the \$48, but the total revenue for the Rec center was \$1,140,000 resulting in a .0042% error.
- \$345 was explained, a sale of a driver. That various posts were made, it was not short.
- Smartels are posted matching them to our bank statement. Splits on the rec center are not arbitrary but based on reports by rec.
- Hamilton was completed in 2005. We will not have to report our capital assets until 2011 when we are required to report on GAAP as a City. So we will report on a cash basis beginning in 2007.
- Mayor's court was reconciled by Mayors court clerk. Statements were available. Julian and Grube did not include the account on our financial statements.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

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

Finding Number	2005-020
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Utilities – Integrity of Computer System – Material Weakness/Significant Deficiency

The integrity and reliability of a department’s computer system is essential to ensure proper financial reporting. The Village should keep its utilities computer system up-to-date and implement procedures to ensure its accuracy.

The water and sanitary sewer consumption reports do not always calculate properly. The utility billing system miscalculated water usage by (2,861) thousand units or 3.9 percent of water usage and 10,592 thousand units or 12.3 percent of sanitary sewer usage. Additionally, consumption and in turn generated billings with known adjustments did not agree to receipts and accounts receivable over water and sanitary sewer usage with no explanation from the Village as to variances.

Although some of the miscalculations were detected and corrected manually by the Public Works Department, the Village did not retain or present for examination sufficient competent evidence to support the revenues and balances related to water and sanitary sewer revenues.

These issues contributed to the Village not being able to receive an unqualified opinion on its financial statements due to an inability to assure completeness and valuation over these charge for service receipts for the Water and Sewer Funds and Business Type Activities. Further, the utility miscalculations hinder management’s ability to effectively monitor water and sanitary sewer usage and the related revenues.

We recommend the Village implement procedures to ensure the integrity of the water and sanitary sewer utility reports and ensure that the related revenues are commensurate with the consumption.

Officials’ Response: We are currently tracking the gallons produced and at the amount billed per quarter. Additional policies have been created to handle delinquent accounts.

Finding Number	2005-021
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Utilities – Non-cash Adjustments and Write-offs – Material Weakness/Significant Deficiency

A policy over non-cash adjustments and write-offs and a formal review process over meter reading reports prior to billing are essential to ensure proper financial reporting. The Village should maintain a policy over non-cash adjustments and write-offs, as to limitations on amounts that can be adjusted and approval of such adjustments. There should also be documented review of meter reading reports before bills are disbursed by the department head.

The Village Public Works department clerk completes many tasks relating to water and sewer billing manually. The meter books are handwritten tablets, which the clerk then uses to manually enter the readings into the computer system. However, no review of the information input into the system is completed other than by the inputting clerk, who only scans the meter reading report for unusual items. If a discrepancy is found, the clerk goes into the CMI system and makes the changes, usually via a miscellaneous charge, which does not require any approval from a higher authority. Other miscellaneous charges are also entered into the system by the clerk under certain circumstances (i.e. billing disputes, misapplied payments to wrong accounts), but also lack any documented approval. Furthermore, consumption and in turn generated billings with known adjustments did not agree to receipts and accounts receivable over water and sanitary sewer usage with no explanation from the Village as to variances.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2005-021 (Continued)
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Utilities – Non-cash Adjustments and Write-offs – Material Weakness/Significant Deficiency (Continued)

Failure to have further review of the billings and approval for non-cash adjustments with an appropriate trail of evidence may result in improper billings with the Village not billing and receiving the correct amounts due. These issues contributed to the Village not being able to receive an unqualified opinion on its financial statements due to an inability to assure completeness and valuation over these charge for service receipts for the Water and Sewer Funds and Business Type Activities. Further, the trail of these adjustments and write-offs hinder management’s ability to effectively monitor water and sanitary sewer usage and the related revenues.

We recommend the Village develop a formal review process over the meter reading reports with an independent documented review. Any discrepancies discovered during the review process need to be documented, and then corrected after a proper documented approval is obtained. We also recommend the Village develop a policy over non-cash adjustments that can be made to an account.

Officials’ Response: The Village has established a policy for utility billing. Any adjustments or payment issues must be approved by finance and administration. We are reviewing amount metered against amount billed. We do not bill ourselves for water used.

Finding Number	2005-022
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Payroll Expenditure Allocations – Material Weakness/Significant Deficiency

Payroll expenditures should be charged to funds and departments based on actual work performed by employees and officials. The Village should have a control system in place to identify and quantify time employees spend on activities within each fund and department.

December wages and salaries totaled \$307,936, of which \$138,937 was charged to funds and departments based on where appropriations were available rather than where the payroll was accrued. There were \$129,327 in unallowable expenditure shifts among General Fund departments and \$9,610 in unallowable expenditure shifts between the Water Fund and the General Fund. Documentation was not maintained to support the shifts in expenditures; they were done above the budgetary legal level of control; and they resulted in the budgetary process being circumvented.

Additionally, payroll disbursements for five employees were charged entirely to the Street Maintenance and Repair Fund, although their work duties also included significant responsibilities within the Water and Sewer Department. The proper allocation of those charges has been corrected by audit adjustments and is reflected in the accompanying financial statements and Village accounting records.

We recommend the Village implement a formal control structure to quantify and track employee time that supports the allocations among the departments and funds. If the Village elects to allocate payroll expenditures for salaried employees among various departments, this allocation should be documented based on actual time spent or by percentages based on the individual’s job duties that are reasonably routine and predictable.

Officials’ Response: We did not receive a response from Officials to this finding.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2005-023
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Purchasing Authorization - Significant Deficiency

The Village established internal control procedures whereby the Village employee entering into the disbursement with the approved purchase order is to document that goods were received or services were rendered via signature on the invoice prior to the Village remitting payment to vendors.

19.2 percent of invoices were paid, but there was no signature by the Village employee indicating the goods were received or services were rendered.

Failure to receive proper documentation from the employee entering into disbursements may result in payment for goods that were not received or services that were not rendered in the amounts, quantities, or prices charged and that actual purchases are coded to the correct account code.

We recommend the Village ensure a copy of the invoice is approved by the employee who entered into the purchase prior to making any payment.

Officials' Response: We have a set purchasing procedure that is to be followed by all depts. We have a very specific purchase procedure.

Finding Number	2005-024
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Voided Checks - Significant Deficiency

All voided checks should be voided both in the accounting system and on the physical check. Voided checks should be clearly marked void and have the signature removed from the check. All voided checks should then be maintained in a file by the Village. The Village should also monitor the bank statements to ensure that any check that has been voided in the system does not clear the bank.

The Village had approximately 44 voided checks for the general operating account: 15 of which were marked as void, but the check was signed totaling \$26,869; and 8 of which were not marked void but were included on the gaps in checks report and did not clear the bank, of which 3 total \$5,404 and 5 were blank. Failure to properly void and retain voided checks could lead to misstated expenditures and resulting financial statements and could result in checks being cashed by unauthorized individuals.

We recommend the Village develop a process for voided checks. This process needs to ensure that the check is voided in the computer system, the physical check is clearly marked void, there is no signature on the check and if there is that it is removed, and that all voided checks are maintained on file. The Village also needs to ensure that none of the voided checks clear the bank during the monthly bank to book reconciliation process.

Officials' Response: The signature is not removed. They are stored in a separate file. We will not remove the signature because we will be asked who signed it. They are reviewed to assure they did not clear the bank.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2005-025
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Payroll Procedures – Significant Deficiency

All Village employees should be paid based on the Council approved pay scale and according to the hours listed on each employees' time sheet. Timesheets should be signed by employees and the appropriate supervisor to provide documentation and certification of their hours worked. Payroll data input should be reviewed for accuracy and completeness.

13.3 percent of timesheets tested were not signed by the employee. 6.7 percent of employee payrolls tested were not paid in accordance with the Council approved pay rates. Additionally, 3.3 percent of employees tested were paid for the incorrect number of hours. Per further review of the timecards, the timecards had the correct number of hours listed, but the input was incorrect. Failure to ensure hours worked are correctly coded to the proper fund for the correct number of hours worked at the proper rate of pay lead to findings for recovery in Finding 2005-014 and may lead to undetected misstatements of payroll allocations and misstated fund balances.

We recommend all Village employees sign timesheets to ensure the accuracy of hours worked. Payments should not be disbursed to the employee unless timesheets have these signatures. We further recommend the Village develop a system to double-check the spreadsheets and data input for approved rates and hours documented on recomputed timecards to ensure that employees are being properly compensated.

Officials' Response: We did not receive a response from Officials to this finding.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Severance Payout with a Finding for Recovery	Yes	
2004-002	Timely Deposits – ORC 9.38	No	Not corrected; reissued Finding 2005-008
2004-003	Bonding – ORC 705.27	No	Not corrected; reissued Finding 2005-010
2004-004	Negative Fund Balances – ORC 5705.10	No	Not corrected; reissued Finding 2005-003
2004-005	Appropriations Exceeding Estimated Resources – ORC 5705.39	No	Not corrected; reissued Finding 2005-011
2004-006	Certification of Funds – ORC 5705.41 (D)	No	Not corrected; reissued Finding 2005-014
2004-007	Supporting Documentation/Record Retention – ORC 149.351 (A)	Partially	Partially corrected; issued Finding 2005-002
2004-008	Timely and accurate ledger posting	No	Not corrected; reissued Findings 2005-002 and 2005-019
2004-009	Reconciliation of Bank to Book Balances	No	Not corrected; reissued Finding 2005-018
2004-010	Purchasing Authorization internal control procedures	No	Not corrected; reissued Finding 2005-023



Mary Taylor, CPA
Auditor of State

VILLAGE OF GROVEPORT
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
DECEMBER 2, 2008