

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

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

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



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Obetz, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 28, 2013

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**VILLAGE OF OBETZ
FRANKLIN COUNTY
AUDIT REPORT
For the Year Ended December 31, 2011**

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

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Obetz, Franklin County, Ohio (the Village), as of and for the year ended December 31, 2011, 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.

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.

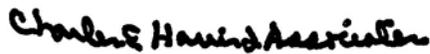
As discussed in Note 2, the Village of Obetz, Franklin County, prepares its financial statements and notes on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Obetz, Franklin County, Ohio, as of December 31, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Village of Obetz, Franklin County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities, business-type activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Charles E. Harris & Associates, Inc.
November 14, 2012

VILLAGE OF OBETZ
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

This discussion and analysis of the Village of Obetz's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key financial highlights for 2011 are as follows:

Net assets of governmental activities increased \$1.1 million or 31 percent in 2011 due to a substantial reduction in General Government disbursements. Contract services expenditures declined over \$370,000 mostly due to a \$300,000 payment made in 2010 related to the construction of the Athletic Center. In addition, workers' compensation expenses which had been paid entirely from the General Government program were allocated over all programs, and the salary of the Community Services Director was moved from General Government to Community Environment.

The Village's general receipts are primarily income taxes. These receipts represent almost seventy-five percent of the total operating cash received for governmental activities during the year. Income tax receipts for 2011 declined compared to 2010 by \$290,243, the first time the Village has experienced a decline in income tax receipts since 2004. The Village is addressing the decline by expanding its tax base to include the area in a newly created Joint Economic Development Zone.

The redesign and reconstruction of the Alum Creek Drive and Groveport Road intersection continues. Although the intersection belongs to and is the responsibility of the Village, all financial activity for the project is being handled by the Franklin County Engineer. The Village records receipts and disbursements based on cost reports provided by the Engineer's office. Almost \$4.9 million was spent in 2011.

Due to the national recession, the Village has avoided raising water and sewer rates. Consequently, the financial condition of the Village's water and sewer operations has deteriorated and will require a rate increase to overcome increased costs. The Village contracted with the Rural Community Assistance Program (RCAP) to perform a rate study and the results and recommendations have been reported to Council. Rate changes were finalized and went into effect on January 1, 2012. A further increase has been authorized by Council for 2013.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and significant details regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determines when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

Reporting Entity

The Village is affiliated with two organizations, the Big Walnut Community Improvement Corporation (CIC) and the Obetz Convention and Visitor's Bureau (CVB). The CIC is a not-for profit corporation formed for the purpose of promoting economic development within the Village. The CIC is governed by a seven member board which includes the Mayor, Council President Pro-Tem and Administrator of the Village. The primary asset of the CIC is a building; the CIC's primary revenue is rent from a lease of the building to the Columbus Crew Soccer Team.

The CVB is governed by a seven member board which includes the Mayor, Council President Pro-Tem and Administrator of the Village. The CVB receives half of the lodging tax levied by the Village which is to be used for the promotion and marketing of the region in which the Village is located.

Village-wide Statements

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies the extent to which each governmental function or business-type activity draws from the Village's general receipts.

The statement of net assets and the statement of activities report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, an increase or decrease in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's income tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as income taxes.

VILLAGE OF OBETZ
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In the statement of net assets and the statement of activities, the Village is divided into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, street maintenance and repair, recreation and parks. Income taxes finance most of these activities. Services provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has several business-type activities including the provision of water, the collection of refuse and the treatment of sewage. Several industrial areas of the Village are also serviced by the Village's electric and gas utilities. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about each of the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, the General Obligation Bond Retirement Fund, and the Alum Creek/Groveport Road Construction Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four major enterprise funds: Water, Sewer, Electric, and Gas. When the services are provided to another department of the Village, the service is reported as an internal service fund. The Village has one internal service fund to account for the Village funded health reimbursement accounts established for Village employees.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

The following Table provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis.

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For the Year Ended December 31, 2011
Unaudited

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Assets						
Cash and Cash Equivalents	\$3,547,435	\$4,639,975	\$2,267,154	\$2,625,247	\$5,814,589	\$7,265,222
Total Assets	\$3,547,435	\$4,639,975	\$2,267,154	\$2,625,247	\$5,814,589	\$7,265,222
Net Assets						
Restricted for:						
Debt Service	\$906,766	\$1,326,022	\$310,150	\$297,736	\$1,216,916	\$1,623,758
Capital Outlay	62,584	70,284	660,063	336,493	722,647	406,777
Other Purposes	660,063	701,651			660,063	701,651
Unrestricted	1,918,022	2,542,018	1,296,941	1,991,018	3,214,963	4,533,036
Total Net Assets	\$3,547,435	\$4,639,975	\$2,267,154	\$2,625,247	\$5,814,589	\$7,265,222

As mentioned previously, net assets of governmental activities increased \$1,092,540 or 31 percent during 2011. The primary reasons contributing to the overall increase in the cash balance are as follows:

- Receipts increased \$3.2 million due to a \$3.4 million increase in the capital grant for the Alum Creek Drive/Groveport Road intersection project.
- Disbursements plus transfers dropped about \$200,000 which, together with the increase in receipts, accounts for the \$3.4 million change in receipts over disbursements plus transfers from last year to this year.
- Income tax, unrestricted grants and interest receipts were lower than last year. The reduction in income tax was not a sharp drop related to one specific entity but rather a slight decline in receipts from numerous sources. The drop in unrestricted grants was caused by lower estate tax receipts, a reduction in the reimbursement from the State for lost personal property taxes and a decline in local government grant dollars. These were offset by an increase in payments in lieu of taxes and a \$140,000 one-time payment from CBS Outdoors related to the initiation of a long-term lease of space in the Village right-of-way along Interstate Route 270 in which the company plans to erect billboards. The payment was recorded as a Miscellaneous receipt.

The cash balance of Business-Type Activities increased over \$358,000 from 2010 to 2011 as a result of a \$600,000 increase in receipts compared to an \$18,000 reduction in costs. The increase in receipts was the result of a higher demand for electricity.

Table 2 reflects the changes in net assets on a cash basis in 2011 compared to 2010 for governmental activities, business-type activities and totals for the Village.

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	2010	2011	2010	2011	2010	2011
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$440,699	\$428,501	\$5,516,780	\$6,159,583	\$5,957,479	\$6,588,084
Operating Grants and Contributions	243,158	312,173			243,158	312,173
Capital Grants and Contributions	1,518,208	4,931,317	36,941		1,555,149	4,931,317
Total Program Receipts	<u>2,202,065</u>	<u>5,671,991</u>	<u>5,553,721</u>	<u>6,159,583</u>	<u>7,755,786</u>	<u>11,831,574</u>
General Receipts:						
Property Taxes	173,733	173,546			173,733	173,546
Income Taxes	4,800,682	4,510,438			4,800,682	4,510,438
Other Taxes	46,530	46,900			46,530	46,900
Payments in Lieu of Taxes	168,492	300,096			168,492	300,096
Sale of Notes	1,500,000	1,385,000			1,500,000	1,385,000
Unrestricted Grants and Entitlements	300,077	246,348			300,077	246,348
Interest	82,316	21,429			82,316	21,429
Miscellaneous	18,260	152,893	489		18,749	152,893
Total General Receipts	<u>7,090,090</u>	<u>6,836,650</u>	<u>489</u>	<u>0</u>	<u>7,090,579</u>	<u>6,836,650</u>
Total Receipts	<u>9,292,155</u>	<u>12,508,641</u>	<u>5,554,210</u>	<u>6,159,583</u>	<u>14,846,365</u>	<u>18,668,224</u>
Disbursements:						
General Government	1,628,029	993,923			1,628,029	993,923
Security of Persons and Property	1,434,975	1,454,539			1,434,975	1,454,539
Public Health Services	23,967	22,304			23,967	22,304
Leisure Time Activities	669,252	870,025			669,252	870,025
Community Environment	244,156	283,211			244,156	283,211
Transportation	257,734	207,758			257,734	207,758
Capital Outlay	4,778,026	5,253,951			4,778,026	5,253,951
Principal Retirement	2,324,965	1,962,405			2,324,965	1,962,405
Interest and Fiscal Charges	237,873	217,985			237,873	217,985
Water			901,650	1,037,114	901,650	1,037,114
Sewer			1,239,570	1,050,509	1,239,570	1,050,509
Electric			2,800,651	2,901,259	2,800,651	2,901,259
Refuse			261,725	290,889	261,725	290,889
Gas			766,072	671,719	766,072	671,719
Total Disbursements	<u>11,598,977</u>	<u>11,266,101</u>	<u>5,969,668</u>	<u>5,951,490</u>	<u>17,568,645</u>	<u>17,217,591</u>
Excess (Deficiency) Before Transfers	(2,306,822)	1,242,540	(415,458)	208,093	(2,722,280)	1,450,633
Transfers		(150,000)		150,000	0	0
Increase (Decrease) in Net Assets	(2,306,822)	1,092,540	(415,458)	358,093	(2,722,280)	1,450,633
Net Assets, January 1, Restated	<u>5,830,502</u>	<u>3,547,435</u>	<u>2,682,612</u>	<u>2,267,154</u>	<u>8,513,114</u>	<u>5,814,589</u>
Net Assets, December 31	<u>\$3,523,680</u>	<u>\$4,639,975</u>	<u>\$2,267,154</u>	<u>\$2,625,247</u>	<u>\$5,790,834</u>	<u>\$7,265,222</u>

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Program receipts represent forty five percent of total receipts and are primarily comprised of restricted intergovernmental receipts and charges for services. Shared motor vehicle license and gas tax receipts are used for general street maintenance and repair while specific grants are restricted for the construction of the Alum Creek Drive/Groveport Road intersection. Charges for services include building permits and inspection fees as well as registration fees and concession sales associated with the Village's youth athletic programs.

General receipts represent fifty five percent of the Village's total receipts. The vast majority of these dollars (other than the annual reissuance of a short-term note) comes from the Village's 2% income tax. The other general receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. Security of Persons and Property are the costs of police protection; Public Health Services represent the costs of membership in the District Board of Health; Leisure Time Activities report the costs of the athletic programs and the athletic center as well as the money spent maintaining the parks and playing fields; the Community Environment classification represents the costs of planning and zoning, engineering and inspections as well as the building permit process; and Transportation presents the cost of maintaining the roads.

Significant changes in program disbursements when compared to 2011 occurred in the General Government, Leisure Time Activities and Capital Outlay classifications. The decline in the General Government program results from OAC construction payments made in 2010 that were not repeated in 2011, Workers' Compensation payments being allocated to all programs in 2011 which were paid entirely from the General Government program in 2010, and the salary of the Community Services Director being moved from General Government to Community Environment. Leisure Time Activities increased as the Village began operating the OAC. The increase in Capital Outlay reflects work on the Alum Creek Drive/Groveport Road intersection.

Governmental Activities

If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government, Security of Persons and Property and Capital Outlay which in 2011 accounted for 9, 13 and 47 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided primarily by local taxpayers. These net costs are paid from the general receipts of the Village which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

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	Governmental Activities		Table 3	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2011	2011
General Government	\$1,628,029	\$1,628,029	\$993,923	\$887,612
Security of Persons and Property	1,434,975	1,325,486	1,454,539	1,421,677
Public Health Services	23,967	23,967	22,304	22,304
Leisure Time Activities	669,252	501,060	870,025	717,097
Community Environment	244,156	119,254	283,211	82,110
Transportation	257,734	(42,940)	207,758	(75,032)
Capital Outlay	4,778,026	3,279,218	5,253,951	357,952
Principal Retirement	2,324,965	2,324,965	1,962,405	1,962,405
Interest and Fiscal Charges	237,873	237,873	217,985	217,985
Total Cash Disbursements	\$11,598,977	\$9,396,912	\$11,266,101	\$5,594,110

In 2010, over 80 percent of governmental activities were supported through general receipts. In 2011, this percentage dropped to 50 percent. When the receipts and disbursements for the road intersection project are excluded from the calculation, this ratio jumps up to 88 percent which reflects the Village's dependence on income tax receipts.

In order to expand the income tax base as well as increase receipts, the Village entered in to an agreement in 2011 with Prairie Township to create a Joint Economic Development Zone (JEDZ). Prairie Township is located on the west side of Columbus wholly separate from the Village. The JEDZ was configured to include only commercial and industrial properties located within the Township.

The JEDZ is governed by a six member board, three members appointed by the Village and three by the Township. A township in Ohio does not possess the authority to levy an income tax. The board of a joint economic development zone, however, may levy an income tax on the income producing activities within the zone up to the current rate levied by the village participant. The Board has levied a 2% income tax within the JEDZ. Under the agreement, income tax revenues (after collection expenses and an administrative charge paid the Village) are allocated 2% to the JEDZ, 38% to the Township and 60% to the Village. An economic development agreement between the Township and the Village requires that two thirds of the income tax proceeds paid to the Village from the JEDZ be paid to the Township.

JEDZ income tax revenues for 2012 (the first year of collection) were \$1,743,329 of which the Village received \$332,975 for its operations. Since distributions are made quarterly, the figures for 2012 only represent receipts for January through September.

Business-type Activities

The business-type activities of the Village are significant and include water, sewer, refuse, gas and electric. Water is provided from the Village water plant and, when additional supply is needed, through purchases from the City of Columbus. The Village maintains its own sewer lines but does not operate a sewage treatment facility. This service is provided under a contract with Columbus. Refuse service is provided under contract with a private hauler.

Most properties in the Village receive electricity and gas from major public utilities. There are, however, two industrial areas which are provided electricity and gas through lines owned by the Village. The Village purchases the electricity and gas and then resells them to the companies which occupy these industrial sites.

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The Village's Funds

Governmental Funds

The fund balance of the Governmental Funds increased \$1.1 million in 2011, the result of a \$633,000 increase in the General Fund and a \$293,000 increase in the General Obligation Bond Retirement Fund. General Fund receipts were down \$113,000 due to the decline in income taxes which was partially offset by the initial lease payment allowing CBS Outdoors to construct billboards in the Village right-of-way along I-270. General Fund disbursements decreased \$349,000 reflecting the OAC construction payment made in 2010 that was not repeated in 2011. The primary reason for the increase in the fund balance of the Bond Retirement Fund is the increase in payments in lieu of taxes made by the developer of one of the Village industrial parks.

Enterprise Funds

The Village has four major enterprise funds: water, sewer, gas and electric. Enterprise funds are financed primarily through monthly user fees charged to customers. These fees are mainly used to pay for day-to-day operations, although a portion of each month's sewer and water collections is allocated toward paying debt service payments on amounts borrowed from the Ohio Water Development Authority. The water and sewer funds also receive tap fees and capacity charges paid by new customers when they first connect to the system. These charges are limited to paying for infrastructure maintenance and construction. The money set-aside for debt service and for infrastructure improvements is presented as restricted on the financial statements.

The Village owns and maintains its own water lines and operates a small water plant whose supply is supplemented with purchases from the City of Columbus. The Village owns its own sewer lines but does not own a sewage treatment facility. This service is provided under contract with the City of Columbus.

The water and sewer funds are currently in need of additional cash to be supplied by a rate increase that was effective January 1, 2012. Net assets of the Water Fund dropped \$197,510 in 2011. Net assets of the Sewer Fund decreased \$50,625. The Village hired Rural Community Assistance Partnership to perform a rate study. The results were presented to Council who authorized a rate increase for both the water and sewer programs that went into effect in 2012. An additional increase has been authorized for 2013.

The gas and electric funds do not serve the entire Village. Village customers are primarily limited to the Creekside and Centerpoint industrial parks. The Village purchases electricity and gas and then resells them to its customers. In 2011, both funds continued to be financially stable.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For 2011, final budgeted receipts were the same as original budgeted receipts. The difference between final budgeted receipts and actual receipts was about \$65,000. Income taxes were \$160,000 less than estimates as the Village experienced the first annual decline in income tax receipts since 2004. Fines, licenses and permits as well as interest also came in less than expected as new construction slowed and amounts available for investment and interest rates also dropped. These negative variances were offset by a \$185,000 increase in Miscellaneous receipts caused by donations to the Zucchini Festival and the initial billboard lease payment and charges for services receipts which exceeded conservative estimates for OAC memberships. Differences between final and actual disbursements were all positive and were generally spread among all programs. Aware that income tax receipts were below expectations, the

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Village was cautious in its spending during 2011 to ensure that the fund balance did not decline significantly.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently report capital assets and infrastructure. Capital asset information is maintained and utilized for insurance purposes. Village infrastructure is documented through a geographic information system (GIS). The GIS currently includes Village roads as well as water, storm water and sewer lines. Information needed to add gas and electric lines to the system is being developed.

Debt

The Village's debt consists of a short-term note issued for road improvements, general obligation bonds issued for the construction of the Village administration building, tax increment financing (TIF) revenue bonds, and OWDA and OPWC loans used for infrastructure improvements. The following presents the balances of these obligations as of December 31, 2010 and 2011.

<u>Obligation</u>	<u>2010 Balance</u>	<u>2011 Balance</u>
Short-term Note	\$1,500,000	\$1,385,000
General Obligation Bonds	3,390,000	3,180,000
TIF Revenue Bonds	5,505,000	5,385,000
OWDA Loans		
Sewer	574,879	500,123
Water	327,655	285,041
OPWC Loans	164,610	150,839

The Village issued the TIF revenue bonds to finance infrastructure improvements that facilitated the development of an industrial park within the Village. The Village and the developer of the property entered into a tax increment financing agreement that waived any property taxes associated with improvements to the property made by the developer but required payments in lieu of taxes to be made directly to the Village. These payments are to be used to pay the principal and interest on the bonds. To the extent the payments are insufficient to satisfy the debt service requirements, the developer is responsible for the balance. In 2011, \$48,503 in payments in lieu of taxes were collected and sent to the paying agent to be used to pay TIF bond principal. The remaining principal and interest payments were made by the developer.

In addition to the obligations listed above, the Village makes settlement payments to two school districts and two townships to reimburse them for a reduction in property tax receipts caused by an abatement granted to certain properties by the Village. These annual payments will continue through 2014.

For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

VILLAGE OF OBETZ
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Current Issues

The Obetz athletic club opened on December 20, 2010. This \$3,900,000 facility was not financed through the issuance of bonds. The cash needed to pay for the facility was transferred from the General Fund and the Gas and Electric utility funds. The number of memberships now exceeds 550 and continues to grow.

The study performed by RCAP confirmed the need for substantial increases in water and sewer rates. The Administration reviewed the study and presented its recommendations to Council. A rate increase went into effect early in 2012 and Council has authorized a second increase to be effective early in 2013.

In September, 2012, the Village issued \$2,500,000 in notes for park improvements. Lancaster Park will receive a combination splash pad/ice rink and additional restroom and parking facilities. In Community Center Park, a portion of the community center will be demolished and replaced with a community room designed to accommodate up to 250 people for wedding receptions, corporate meetings and senior activities. The parking facilities will also be expanded.

As part of the creation of a Community Reinvestment Area, the Village entered into an agreement with the Hamilton Local School District to share a portion of the increased income tax receipts generated from the employees in two of the new buildings in the Area. Payments were supposed to have been made annually, but a review of Village records indicates that no payments had been made. The Village researched this issue and payments to the District are now current.

The Village Council has authorized the issuance of refunding bonds to refinance both the note for street improvements and the note for the Park projects as well as the bonds outstanding on the municipal building. The new bonds should be issued and the refunding completed before the end of the current year.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Pete Sorem, Finance Director, Village of Obetz, 4175 Alum Creek Drive, Obetz, Ohio 43207.

Obetz Village, Franklin County

*Statement of Net Assets - Cash Basis
December 31, 2011*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$4,639,975</u>	<u>\$2,625,247</u>	<u>\$7,265,222</u>
<i>Total Assets</i>	<u><u>\$4,639,975</u></u>	<u><u>\$2,625,247</u></u>	<u><u>\$7,265,222</u></u>
Net Assets			
Restricted for:			
Capital Projects	\$33,678	\$336,493	\$370,171
Debt Service	1,326,021	297,736	1,623,757
Other Purposes	602,221	0	602,221
Unrestricted	<u>2,678,055</u>	<u>1,991,018</u>	<u>4,669,073</u>
<i>Total Net Assets</i>	<u><u>\$4,639,975</u></u>	<u><u>\$2,625,247</u></u>	<u><u>\$7,265,222</u></u>

See accompanying notes to the basic financial statements

Obetz Village
Franklin County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$993,923	\$63,011	\$43,300	\$0	(\$887,612)	\$0	(\$887,612)
Security of Persons and Property	1,454,539	5,445	0	27,417	(1,421,677)	0	(1,421,677)
Public Health Services	22,304	0	0	0	(22,304)	0	(22,304)
Leisure Time Activities	870,025	145,027	0	7,901	(717,097)	0	(717,097)
Community Environment	283,211	201,101	0	0	(82,110)	0	(82,110)
Transportation	207,758	13,917	268,873	0	75,032	0	75,032
Capital Outlay	5,253,951	0	0	4,895,999	(357,952)	0	(357,952)
Debt Service:							
Principal Retirement	1,962,405	0	0	0	(1,962,405)	0	(1,962,405)
Interest and Fiscal Charges	217,985	0	0	0	(217,985)	0	(217,985)
Total Governmental Activities	11,266,101	428,501	312,173	4,931,317	(5,594,110)	0	(5,594,110)
Business Type Activities							
Water	1,037,114	839,604	0	0	0	(197,510)	(197,510)
Sewer	1,050,509	849,885	0	0	0	(200,624)	(200,624)
Electric	2,901,259	3,290,313	0	0	0	389,054	389,054
Refuse	290,889	261,814	0	0	0	(29,075)	(29,075)
Gas	671,719	917,967	0	0	0	246,248	246,248
Total Business Type Activities	5,951,490	6,159,583	0	0	0	208,093	208,093
Total	\$17,217,591	\$6,588,084	\$312,173	\$4,931,317	(5,594,110)	208,093	(5,386,017)
General Receipts							
Property Taxes					173,546	0	173,546
Municipal Income Taxes					4,510,438	0	4,510,438
Other Taxes					20,373	0	20,373
Cable Franchise Fees					26,527	0	26,527
Grants and Entitlements not Restricted to Specific Programs					246,348	0	246,348
Payments in Lieu of Taxes					300,096	0	300,096
Notes Issued					1,385,000	0	1,385,000
Interest					21,429	0	21,429
Miscellaneous					152,893	0	152,893
Transfers					(150,000)	150,000	0
Total General Receipts and Transfers					6,686,650	150,000	6,836,650
Change in Net Assets					1,092,540	358,093	1,450,633
<i>Net Assets Beginning of Year - Restated (See Note 16)</i>					3,547,435	2,267,154	5,814,589
<i>Net Assets End of Year</i>					\$4,639,975	\$2,625,247	\$7,265,222

See accompanying notes to the basic financial statements

Obetz Village, Franklin County

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2011

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,528,189	\$941,042	\$1,156,912	\$4,626,143
<i>Total Assets</i>	<u>\$2,528,189</u>	<u>\$941,042</u>	<u>\$1,156,912</u>	<u>\$4,626,143</u>
Fund Balances				
Restricted	\$0	\$941,042	\$1,020,878	\$1,961,920
Committed	599,347	0	136,034	735,381
Assigned	121,674	0	0	121,674
Unassigned	1,807,168	0	0	1,807,168
<i>Total Fund Balances</i>	<u>\$2,528,189</u>	<u>\$941,042</u>	<u>\$1,156,912</u>	<u>\$4,626,143</u>

Reconciliation of Balance Sheet to Statement of Net Assets

Balance sheet	\$4,626,143
Internal Service Balance	<u>13,832</u>
Statement of Net Assets - Gov. Activities	<u>\$4,639,975</u>

See accompanying notes to the basic financial statements

Obetz Village, Franklin County

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011*

	General	General Oblig. Bond Retirement	Alum Creek Groveport Road Construction	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$3,790,438	\$480,000	\$0	\$240,000	\$4,510,438
Property and Other Local Taxes	220,447	0	0	12,252	232,699
Charges for Services	192,079	0	0	0	192,079
Fines, Licenses and Permits	154,248	0	0	29,429	183,677
Intergovernmental	246,348	0	4,895,999	296,288	5,438,635
Special Assessments	40,494	0	0	0	40,494
Interest	18,987	0	0	2,442	21,429
Payments in Lieu of taxes	0	244,979	0	55,117	300,096
Contributions	51,201	0	0	0	51,201
Miscellaneous	151,361	798	0	734	152,893
<i>Total Receipts</i>	<u>4,865,603</u>	<u>725,777</u>	<u>4,895,999</u>	<u>636,262</u>	<u>11,123,641</u>
Disbursements					
Current:					
General Government	985,988	0	0	1,658	987,646
Security of Persons and Property	1,452,313	0	0	5,270	1,457,583
Public Health Services	22,304	0	0	0	22,304
Leisure Time Activities	866,279	0	0	180	866,459
Community Environment	280,288	0	0	0	280,288
Transportation	63,204	0	0	144,352	207,556
Capital Outlay	247,106	0	4,895,999	110,847	5,253,952
Debt Service:					
Principal Retirement	190,136	1,608,771	0	163,498	1,962,405
Interest and Fiscal Charges	9,173	208,812	0	0	217,985
<i>Total Disbursements</i>	<u>4,116,791</u>	<u>1,817,583</u>	<u>4,895,999</u>	<u>425,805</u>	<u>11,256,178</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>748,812</u>	<u>(1,091,806)</u>	<u>0</u>	<u>210,457</u>	<u>(132,537)</u>
Other Financing Sources (Uses)					
Notes Issued	0	1,385,000	0	0	1,385,000
Advances In	10,000	0	0	16,460	26,460
Advances Out	0	0	0	(26,460)	(26,460)
Transfers In	25,110	0	0	26,313	51,423
Transfers Out	(150,000)	0	0	(51,423)	(201,423)
<i>Total Other Financing Sources (Uses)</i>	<u>(114,890)</u>	<u>1,385,000</u>	<u>0</u>	<u>(35,110)</u>	<u>1,235,000</u>
<i>Net Change in Fund Balances</i>	633,922	293,194	0	175,347	1,102,463
<i>Fund Balances Beginning of Year</i>	<u>1,894,267</u>	<u>647,848</u>	<u>0</u>	<u>981,565</u>	<u>3,523,680</u>
<i>Fund Balances End of Year</i>	<u>\$2,528,189</u>	<u>\$941,042</u>	<u>\$0</u>	<u>\$1,156,912</u>	<u>\$4,626,143</u>
Reconciliation of Governmental Funds to Governmental Activities					
Net Change in Fund Balances - Governmental Funds		\$1,102,463			
Change in Net Assets - Internal Service Fund		(9,923)			
Change in Net Assets of Governmental Activities		<u>\$1,092,540</u>			

See accompanying notes to the basic financial statements

Obetz Village, Franklin County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$223,000	\$223,000	\$220,447	(\$2,553)
Municipal Income Taxes	3,950,000	3,950,000	3,790,438	(159,562)
Intergovernmental	186,000	186,000	246,348	60,348
Special Assessments			40,494	40,494
Charges for Services	150,000	150,000	192,079	42,079
Fines, Licenses and Permits	200,000	200,000	154,248	(45,752)
Earnings on Investments	75,000	75,000	18,987	(56,013)
Miscellaneous	16,000	16,000	202,562	186,562
<i>Total receipts</i>	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,865,603</u>	<u>65,603</u>
Disbursements				
Current:				
Security of Persons and Property	1,626,819	1,654,319	1,496,240	158,079
Public Health Services	25,000	25,000	22,304	2,696
Leisure Time Activities	1,044,047	1,130,047	911,176	218,871
Community Environment	545,498	545,498	314,484	231,014
Transportation	82,500	82,500	66,545	15,955
General Government	1,285,060	1,307,610	1,077,658	229,952
Capital Outlay	922,693	772,693	749,405	23,288
Debt Service:				
Principal Retirement	200,000	200,000	190,827	9,173
Interest and Fiscal Charges	10,000	10,000	9,173	827
<i>Total Disbursements</i>	<u>5,741,617</u>	<u>5,727,667</u>	<u>4,837,812</u>	<u>889,855</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(941,617)</u>	<u>(927,667)</u>	<u>27,791</u>	<u>955,458</u>
Other Financing Sources (Uses)				
Transfers In	0	0	25,110	25,110
Transfers Out	0	(150,000)	(150,000)	0
Advances In	0	0	10,000	10,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(150,000)</u>	<u>(114,890)</u>	<u>35,110</u>
<i>Net Change in Fund Balance</i>	<u>(941,617)</u>	<u>(1,077,667)</u>	<u>(87,099)</u>	<u>990,568</u>
<i>Fund Balance Beginning of Year</i>	1,600,543	1,600,543	1,600,543	0
Prior Year Encumbrances Appropriated	293,724	293,724	293,724	0
<i>Fund Balance End of Year</i>	<u>\$952,650</u>	<u>\$816,600</u>	<u>\$1,807,168</u>	<u>\$990,568</u>

See accompanying notes to the basic financial statements

Obetz Village, Franklin County

*Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2011*

	Business-Type Activities					Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Gas	Other Enterprise Funds		Internal Service
Assets							
Equity in Pooled Cash and Cash Equivalents	\$859,032	\$180,840	\$802,784	\$688,806	\$93,785	\$2,625,247	\$13,832
<i>Total Assets</i>	<u>\$859,032</u>	<u>\$180,840</u>	<u>\$802,784</u>	<u>\$688,806</u>	<u>\$93,785</u>	<u>\$2,625,247</u>	<u>\$13,832</u>
Net Assets							
Restricted for:							
Capital Projects	\$283,009	\$53,484	\$0	\$0	\$0	\$336,493	\$0
Debt Service	266,042	31,694	0	0	0	297,736	0
Unrestricted	309,981	95,662	802,784	688,806	93,785	1,991,018	13,832
Total Net Assets	<u>\$859,032</u>	<u>\$180,840</u>	<u>\$802,784</u>	<u>\$688,806</u>	<u>\$93,785</u>	<u>\$2,625,247</u>	<u>\$13,832</u>

See accompanying notes to the basic financial statements

Obetz Village, Franklin County

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2011*

	Business-Type Activities					Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Gas	Other Enterprise Funds		Internal Service
Operating Receipts							
Charges for Services	\$839,604	\$849,885	\$3,290,313	\$917,967	\$261,814	\$6,159,583	\$62,230
<i>Total Operating Receipts</i>	<u>839,604</u>	<u>849,885</u>	<u>3,290,313</u>	<u>917,967</u>	<u>261,814</u>	<u>6,159,583</u>	<u>62,230</u>
Operating Disbursements							
Personal Services	167,033	56,632	37,223	37,224	0	298,112	0
Employee Fringe Benefits	86,822	0	0	0	0	86,822	72,153
Contractual Services	547,078	858,544	2,792,349	634,495	290,889	5,123,355	0
Materials and Supplies	87,666	0	190	0	0	87,856	0
Other	0	15,220	0	0	0	15,220	0
<i>Total Operating Disbursements</i>	<u>888,599</u>	<u>930,396</u>	<u>2,829,762</u>	<u>671,719</u>	<u>290,889</u>	<u>5,611,365</u>	<u>72,153</u>
<i>Operating Income (Loss)</i>	<u>(48,995)</u>	<u>(80,511)</u>	<u>460,551</u>	<u>246,248</u>	<u>(29,075)</u>	<u>548,218</u>	<u>(9,923)</u>
Non-Operating Disbursements							
Capital Outlay	85,850	10,165	71,497	0	0	167,512	0
Principal Payments	42,613	74,766	0	0	0	117,379	0
Interest and Fiscal Charges	20,052	35,182	0	0	0	55,234	0
<i>Total Non-Operating Disbursements</i>	<u>148,515</u>	<u>120,113</u>	<u>71,497</u>	<u>0</u>	<u>0</u>	<u>340,125</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	<u>(197,510)</u>	<u>(200,624)</u>	<u>389,054</u>	<u>246,248</u>	<u>(29,075)</u>	<u>208,093</u>	<u>(9,923)</u>
Transfers In	0	150,000	0	0	0	150,000	0
<i>Change in Net Assets</i>	<u>(197,510)</u>	<u>(50,624)</u>	<u>389,054</u>	<u>246,248</u>	<u>(29,075)</u>	<u>358,093</u>	<u>(9,923)</u>
<i>Net Assets Beginning of Year - Restated (See Note 16)</i>	<u>1,056,542</u>	<u>231,464</u>	<u>413,730</u>	<u>442,558</u>	<u>122,860</u>	<u>2,267,154</u>	<u>23,755</u>
<i>Net Assets End of Year</i>	<u>\$859,032</u>	<u>\$180,840</u>	<u>\$802,784</u>	<u>\$688,806</u>	<u>\$93,785</u>	<u>\$2,625,247</u>	<u>\$13,832</u>

See accompanying notes to the basic financial statements

Obetz Village, Franklin County

*Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2011*

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$482,484
<i>Total Assets</i>	<u>\$482,484</u>
Net Assets	
Restricted for Other Purposes	\$482,484
Total Net Assets	<u>\$482,484</u>

See accompanying notes to the basic financial statements

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Reporting Entity

The Village of Obetz, Franklin County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, refuse, gas and electric utilities, maintenance of Village roads and bridges, park and recreation operations, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village has no component units.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village is associated with two organizations which are defined as jointly governed organizations. These organizations are the Big Walnut Community Improvement Corporation (CIC) and the Obetz Convention and Visitor's Bureau (CVB), which are presented in Note 15 to the basic financial statements.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial 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.

1. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds 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 enterprise 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.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from the exchange transactions such as charges for services directly relating to the funds principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has three major governmental funds, the General Fund, the General Obligation Bond Retirement Fund, the, and the Alum Creek Groveport Road Construction Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The General Obligation Bond Retirement Fund is used to account for tax proceeds restricted to satisfy general debt obligations of the Village. The Alum Creek Groveport Road Construction Fund is used to account for resources restricted to the redesign and reconstruction of the Alum Creek Drive and Groveport Road intersection. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds are classified as both enterprise and internal service.

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

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

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

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

Gas Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Internal Service Fund – An internal service fund is used to account for an activity that provides goods or services to agencies or departments of the Village.

HRA Fund – This fund accounts for the health reimbursement accounts funded by the Village to assist employees in paying their health insurance deductible.

**VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

3. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency funds account for court monies received and disbursed to the Village, State and County, and for monies placed on deposit that will be used for permits related to engineering and civil reviews on new construction for residential and commercial properties.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and related liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all operating funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Investments are valued at cost or amortized cost.

During 2011, the Village invested all available funds in a checking account and an investment portfolio.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General fund during 2011 was \$18,987, while interest posted to other funds within the Village totaled \$2,442.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2011 Restricted Net Assets represent \$2,596,149 of a total Net Assets of \$7,265,222. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are recorded as a reduction of the disbursement.

P. Fund Balance

For the year ended December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Council. Those committed amounts cannot be used for any other purpose unless Council removes or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Change in Accounting Principle

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of certain funds or the restatement of the Village’s financial statements.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balance. During 2011 the encumbrances outstanding at year end (budgetary basis) amounted to \$721,021 for the general fund.

Note 5 - Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active 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.

**VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
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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 of 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 held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Certificates of deposit shall be purchased only from commercial banks or domestic savings and loans covered by the Federal Deposit Insurance Corporation. The Clerk must have Depository Agreement with bank to make such purchase ;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio) as long as it has the highest rating provided by at least one nationally recognized rating service.

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.

**VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Deposits

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. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the ORC, is held in single financial institution collateral pools at Federal Reserve Bank, or at member banks of the federal reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds or as a specific collateral held at a Federal Reserve Bank in the name of the Village.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village had investments of \$2,043,017 at the end of 2011.

As of December 31, 2011, the Village had the following investments:

	Carrying Value	Maturity
FNMA	\$ 283,726	3,785 days
Money Market	1,759,291	Daily
Total Portfolio	\$ 2,043,017	

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The Village’s investments in FNMA securities were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

Custodial Credit Risk – The Village’s investments at year end 2011 in FNMA securities in the amount of \$283,726 are uninsured and unregistered with securities held by the counterparty’s trust department or agent in the Village’s name.

Concentration of Credit Risk – The Village places no limit on the amount the Village may invest in one issuer. Of the Village’s total investments at year end 2011, 14% are FNMA and 86% are Money Markets.

Note 6 - Income Taxes

The Village levies a 2 percent income tax whose proceeds are placed into the General Fund, General Obligation Bond Retirement Fund and the Westside Road Improvement Project Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Individual taxpayers, whose only income is subject to withholding by employers and employers file a final return annually, are not required to file a

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

final annual return. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually.

Note 7 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The tangible personal property tax has been phased out. The only receipts received in 2011 represent prior delinquencies.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$1.70 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2011 property tax receipts were based are as follows:

Real Property	\$109,436,000
Public Utility Personal Property	<u>2,580,960</u>
Total	<u>\$112,016,960</u>

Note 8 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation. The Village pays the State Workers' Compensation system a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative cost.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2011, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$52,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

	<u>2011</u>	<u>2010</u>
	\$ 56,422	\$ 50,854

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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 percent 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 provide 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 establish 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Public safety and law enforcement members contributed 11% and 11.6%, respectively. The Village's contribution rate for pension benefits for 2010 was 14 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 18.1 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$184,860, \$191,984, and \$182,535, respectively. The full amount has been contributed for 2011, 2010 and 2009.

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 information 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.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2011, 2010, and 2009 were \$167,069, \$161,167, and \$189,922, respectively. The full amount has been contributed for 2011, 2010 and 2009.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
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Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan-a defined contribution plan; and the Combined Plan-a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPER'S Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$52,796, \$61,934 and \$76,573, respectively; 100 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

VILLAGE OF OBETZ
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The Health care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for 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. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to die Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**VILLAGE OF OBETZ
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The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police was \$57,806 for the year ended December 31, 2011, \$55,763 for year ended December 31, 2010, and \$65,713 for the year ended December 31, 2009. The full amount has been contributed for years 2011, 2010 and 2009.

Note 11-Debt

The Village's long-term debt activity for the years ended December 31, 2011 was as follows:

	Interest Rate	Balance at 1/1/2011	Increase	Decrease	Balance at 12/31/2011	Due Within One Year
OWDA Loan #3006	6.12%	\$ 327,654	\$ -0-	\$ 42,613	\$ 285,041	\$ 43,878
OWDA Loan #3007	6.12%	574,879	-0-	74,756	500,123	76,986
OPWC Loan #CC909	0%	143,985	-0-	12,521	131,464	12,521
OPWC Loan #CT10H	0%	20,625	-0-	1,250	19,375	1,250
General Obligation Bonds 2001	2.55%	3,390,000	-0-	210,000	3,180,000	215,000
TIF Revenue Bond 2007	3.75%	5,505,000	-0-	120,000	5,385,000	130,000
Bond Anticipation Note 2010	3.48%	1,500,000	-0-	1,500,000	-0-	-0
2011 Note	2.09%	-0-	1,385,000	-0-	1,385,000	250,000
Hamilton Township (Fire Truck)	4.60%	113,023	-0-	26,358	86,665	26,965
Madison Township (Fire Truck)	3.97%	107,527	-0-	25,333	82,194	26,338
Hamilton Local School District	0%	150,236	-0-	49,873	100,363	49,873
Groveport Madison Local School District	0%	489,016	-0-	88,577	400,439	88,577
Total		<u>\$ 12,321,945</u>	<u>\$ 1,385,000</u>	<u>\$ 2,151,281</u>	<u>\$11,555,664</u>	<u>\$921,388</u>

Payments made by Huntington Bank (71,497)

Total Village Principal Payments \$ 2,079,784

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

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

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

At December 31, 2011 the Village had a Tax Increment Financing (TIF) Revenue Bond with outstanding balance of \$5,385,000 at 3.75% to construct and widen Toy Road. The Project was completed by a Developer and the Village of Obetz. The Village's responsibility for this debt is limited to the amount of any payments in lieu of taxes collected on the abated property. Any shortage between the amount collected and the amount due to be paid on the debt is paid by the Developer. The Developer was required to post a Letter of Credit upon which the Developer may draw to satisfy the debt obligation. The Letter Credit was issued by Huntington Bank. During the year ended December 31, 2011 the Village collected and remitted to Huntington Bank \$48,503. The amount required to service this debt for the year

**VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

ended December 31, 2011 was \$325,309. The remaining amount of \$276,806 was paid from the Letter of Credit issued by Huntington Bank.

The Village also had a note with outstanding balance of \$1,385,000 at 2.09% for various construction projects within the Village. The note is backed by the full faith and credit of the Village. The Village has the authority to issue bonded debt to retire these issuances.

The Village settled a lawsuit with Groveport Madison Local Schools, Hamilton Local Schools, Madison Township and Hamilton Township. The lawsuit alleged that the Village unlawfully modified the Community Reinvestment Area and Agreement to the detriment of the Schools and Township. The Village, while not admitting to any wrongful acts, agreed to pay Groveport Madison Local Schools and Hamilton Local Schools, each year the amount the school districts would have received had no exemptions been issued. Payments continue until the County Auditor certifies that no residential dwelling is receiving an exemption. However the future amounts due can be adjusted for modifications to the either school districts property tax millage. The Village also agreed to pay the note and interest for fire trucks for each Township. The total amount paid shall not exceed \$25,000 per year plus interest.

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

<u>Year</u>	<u>OWDA loans</u>	<u>OPWC loans</u>	<u>General Obligation Bonds</u>	<u>School Districts and Townships</u>	<u>TIF Bonds</u>
2012	\$ 172,614	\$ 13,771	\$ 385,913	\$ 165,231	\$ 331,856
2013	172,614	13,771	385,913	165,231	330,264
2014	172,614	13,771	385,913	165,231	330,165
2015	172,614	13,771	385,913	165,231	335,340
2016	172,614	13,371	385,913	130,463	339,667
2017-2021	86,306	68,849	1,931,515	-0-	1,712,112
2022-2026	-0-	12,510	400,107	-0-	1,776,179
2027-2031	-0-	625	-0-	-0-	1,865,784
2032-2034	-0-	-0-	-0-	-0-	<u>1,168,483</u>
Totals	<u>\$ 949,376</u>	<u>\$150,839</u>	<u>\$4,261,187</u>	<u>\$ 791,387</u>	<u>\$8,189,850</u>

Note 13 – Interfund Transfers

During 2011 the Village made the following transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental		
General	\$ 25,110	\$ 150,000
Other Non-Major	26,313	51,423
Business-Type		
Sewer	<u>150,000</u>	<u>0</u>
Total	<u>\$ 201,423</u>	<u>\$ 201,423</u>

Transfers were made to subsidize sewer operations, to pay for debt and to close out a fund whose activity had terminated. The Village made the above transfers in accordance with the Ohio Revised Code.

VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 14 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and other governmental funds are presented below:

Fund Balances at December 31, 2011:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Non-Major Funds</u>	<u>Total</u>
Restricted for:				
Debt Service	\$ 0	\$ 941,042	\$ 384,979	\$1,326,021
Road Maintenance	0	0	439,046	439,046
Police Operations	0	0	13,188	13,188
Disaster Relief	0	0	43,634	43,634
Drug Enforcement	0	0	3,575	3,575
Economic Development	0	0	40,110	40,110
Mayor's Computer Computerization	0	0	62,668	62,668
Capital Projects	<u>0</u>	<u>0</u>	<u>33,678</u>	<u>33,678</u>
Total Restricted	<u>0</u>	<u>941,042</u>	<u>1,020,878</u>	<u>1,961,920</u>
Committed for:				
Recreation Programs	0	0	99,258	99,258
Police Improvements	0	0	10,464	10,464
Capital Projects	496,461	0	26,312	522,773
Professional Services	91,296	0	0	91,296
Building Repairs	1,840	0	0	1,840
Police Services	<u>9,750</u>	<u>0</u>	<u>0</u>	<u>9,750</u>
Total Committed	<u>599,347</u>	<u>0</u>	<u>136,034</u>	<u>735,381</u>
Assigned for:				
Employee Benefits	23,590	0	0	23,590
Operating Supplies	32,594	0	0	32,594
Repairs and Maintenance	17,721	0	0	17,721
Communications	9,406	0	0	9,406
Other	<u>38,363</u>	<u>0</u>	<u>0</u>	<u>38,363</u>
Total Assigned	<u>121,674</u>	<u>0</u>	<u>0</u>	<u>121,674</u>
Unassigned	<u>1,807,168</u>	<u>0</u>	<u>0</u>	<u>1,807,168</u>
Total	<u>\$ 2,528,189</u>	<u>\$ 941,042</u>	<u>\$ 1,156,912</u>	<u>\$ 4,626,143</u>

**VILLAGE OF OBETZ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 15 – Jointly Governed Organizations

The Big Walnut Community Improvement Corporation (CIC) is a not-for profit corporation formed for the purpose of promoting economic development within the Village. The CIC is governed by a seven member board which includes the Mayor, Council President Pro Tem and Administrator of the Village. The primary asset of the CIC is a building; the CIC’s primary revenue is rent from a lease of the building to the Columbus Crew Soccer Team.

The Obetz Convention and Visitor’s Bureau (CVB) is governed by a seven member board which includes the Mayor, Council President Pro Tem and Administrator of the Village. The CVB receives half of the lodging tax levied by the Village which is to be used for the promotion and marketing of the region in which the Village is located.

Note 16 – Prior Period Fund Adjustment

Village employees are offered participation in a high deductible health insurance program. A portion of the deductible is provided by the Village through the funding of health reimbursement accounts for participating employees. The money in these accounts may be used to pay medical expenses of the employees that would otherwise not be covered by insurance because of the high deductible. In 2011, the Village added an internal service fund to track the financial activity of these accounts. The beginning net assets balance of the governmental activities has been restated to reflect the addition of this fund to the financial statements.

The Village had a prior period fund balance adjustment to the following funds:

	<u>Internal Service Fund</u>	<u>Governmental Activities</u>
Net assets 12/31/2010	\$ 0	\$ 3,523,680
Restatement	<u>23,755</u>	<u>23,755</u>
Restated Net assets 1/1/2011	<u>\$ 23,755</u>	<u>\$ 3,547,435</u>

Note 17 – Subsequent Event

In September, 2012, the Village issued a \$2,500,000 note to finance improvements at Community and Lancaster Parks. The note matured in November 2012.

In November, 2012, the Village issued bonds to refund the 2001 municipal building bonds, to retire the 2011 bond anticipation note and the 2012 parks improvement note, and to provide funds to pay additional costs of the improvements to the parks.

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

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Obetz, Franklin County (the Village) as of and for the year ended December 31, 2011, and have issued our report thereon dated November 14, 2012, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We also noted the Village adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected.

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

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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Charles E. Harris & Associates, Inc.

November 14, 2012

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2010, reported no material citations or recommendations.

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Dave Yost • Auditor of State

VILLAGE OF OBETZ

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 7, 2013