



**Auditor of State
Betty Montgomery**

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Groveport, Franklin County, Ohio (the Village), as of and for the year ended December 31, 2004, 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.

The Village's financial statements contains undeterminable posting errors and unreconciled balances. In addition, the Village did not retain or present for examination sufficient competent evidence to support the activities, balances, and disclosures in the accompanying basic financial statements.

Due to the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the basic financial statements of the Village of Groveport, Franklin County, Ohio as of December 31, 2004 and for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2006, 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.

As described in Note 3, during the year ended December 31, 2004, the Village implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments*

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

September 6, 2006

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The management's discussion and analysis of the Village of Groveport's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The total net assets of the Village decreased \$1,223,794. Net assets of governmental activities decreased \$779,611 or 9.92% and net assets of business-type activities decreased \$444,183 or 4.57%.
- General revenues accounted for \$7,352,892 of total governmental activities revenue. Program specific revenues accounted for \$3,127,737 or 29.84% of total governmental activities revenue.
- The Village had \$11,098,704 in expenses related to governmental activities; \$3,127,737 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues.
- The General Fund had revenues and other financing sources of \$5,199,959 in 2004. This represents an increase of \$1,293,470 from 2003. The expenditures of the General Fund, which totaled \$7,501,502 in 2004, increased \$1,291,237 from 2003. The net decrease in fund balance for the General Fund was \$2,301,543 or 1,100.49%.
- The Street Maintenance and Repair Fund had revenues of \$381,851 in 2004. The expenditures of the Street Maintenance and Repair Fund, totaled \$670,947 in 2004. The net decrease in fund balance for the Street Maintenance and Repair Fund was \$289,096 or 45.04%.
- The Debt Service Fund had revenues of \$1,376,868 and expenditures of \$1,270,892 in 2004.
- The Capital Improvement Fund had revenues of \$3,260,738 in 2004. The expenditures of the Capital Improvement Fund, totaled \$5,869,804 in 2004. The net decrease in fund balance for the Capital Improvement Fund was \$2,609,066 or 52.46%.
- Net assets for the business-type activities, which are made up of the Water and Sewer enterprise funds, decreased in 2004 by \$444,183. This decrease in net assets was due primarily to inadequate charges for services revenues.
- In the general fund, the actual revenues and other financing sources came in \$601,820 lower than they were in the final budget and actual expenditures were \$426,091 less than the amount in the final budget. Budgeted expenditures were increased \$729,942 from the original to the final budget. Budgeted revenues were increased \$903,498 from the original to the final budget.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Using this Annual Financial Report

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

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

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the Village to provide programs and activities, the view of the Village as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The Village maintains a multitude of individual governmental funds. The Village has segregated these funds into major funds and nonmajor funds. The Village's major governmental funds are the General Fund, Street Maintenance and Repair Fund, Debt Service Fund, and Capital Improvement Fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-27 of this report.

Proprietary Funds

The Village maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sewer management functions. All of the Village's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 28-30 of this report.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the Village's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 31 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 32-62 of this report.

Government-Wide Financial Analysis

This is the Village's first year for government-wide financial statements using the full accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

The table below provides a summary of the Village's net assets for 2004:

	Net Assets		
	Governmental Activities 2004	Business-type Activities 2004	2004 Total
	<u>2004</u>	<u>2004</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 3,492,050	\$ 1,733,210	\$ 5,225,260
Capital assets	<u>21,590,021</u>	<u>7,752,081</u>	<u>29,342,102</u>
Total assets	<u>25,082,071</u>	<u>9,485,291</u>	<u>34,567,362</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	16,160,286	35,345	16,195,631
Other liabilities	<u>1,843,209</u>	<u>167,357</u>	<u>2,010,566</u>
Total liabilities	<u>18,003,495</u>	<u>202,702</u>	<u>18,206,197</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	5,599,888	7,752,081	13,351,969
Restricted	3,774,588	-	3,774,588
Unrestricted	<u>(2,295,900)</u>	<u>1,530,508</u>	<u>(765,392)</u>
Total net assets	<u>\$ 7,078,576</u>	<u>\$ 9,282,589</u>	<u>\$ 16,361,165</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the Village's assets exceeded liabilities by \$16,361,165. At year-end, net assets were \$7,078,576 and \$9,282,589 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the Village's assets. At year-end, capital assets represented 84.88% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, water mains, storm sewer mains, sanitary sewer mains and 2004 infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$5,599,888 and \$7,752,081 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Village's net assets, \$3,774,588, represents resources that are subject to external restriction on how they may be used.

The table below shows the changes in net assets for fiscal year 2004. Since this is the first year the Village has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

The table below shows the changes in net assets for fiscal year 2004.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Change in Net Assets

	Governmental Activities 2004	Business-type Activities 2004	2004 Total
	<u>2004</u>	<u>2004</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 1,401,361	\$ 770,676	\$ 2,172,037
Operating grants and contributions	455,998	-	455,998
Capital grants and contributions	<u>1,270,378</u>	<u>-</u>	<u>1,270,378</u>
Total program revenues	<u>3,127,737</u>	<u>770,676</u>	<u>3,898,413</u>
General revenues:			
Property taxes	242,437	-	242,437
Income taxes	6,666,631	-	6,666,631
Unrestricted grants and entitlements	221,594	-	221,594
Investment earnings	69,814	-	69,814
Miscellaneous	<u>152,416</u>	<u>-</u>	<u>152,416</u>
Total general revenues	<u>7,352,892</u>	<u>-</u>	<u>7,352,892</u>
Total revenues	<u>10,480,629</u>	<u>770,676</u>	<u>11,251,305</u>
Expenses:			
General government	4,618,191	-	4,618,191
Security of persons and property	1,299,882	-	1,299,882
Public health and welfare	76,512	-	76,512
Transportation	878,767	-	878,767
Community environment	455,508	-	455,508
Leisure time activity	2,795,756	-	2,795,756
Economic development	182,801	-	182,801
Interest and fiscal charges	791,287	-	791,287
Water	-	612,326	612,326
Waste	<u>-</u>	<u>764,069</u>	<u>764,069</u>
Total expenses	<u>11,098,704</u>	<u>1,376,395</u>	<u>12,475,099</u>
Transfers	<u>(161,536)</u>	<u>161,536</u>	<u>-</u>
Change in net assets	(779,611)	(444,183)	(1,223,794)
Net assets at beginning of year (restated)	<u>7,858,187</u>	<u>9,726,772</u>	<u>17,584,959</u>
Net assets at end of year	<u>\$ 7,078,576</u>	<u>\$ 9,282,589</u>	<u>\$ 16,361,165</u>

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)

Governmental Activities

Governmental activities net assets decreased \$779,611 in 2004. The main cause for the decrease in net assets was the expense related to building the Village's recreation center.

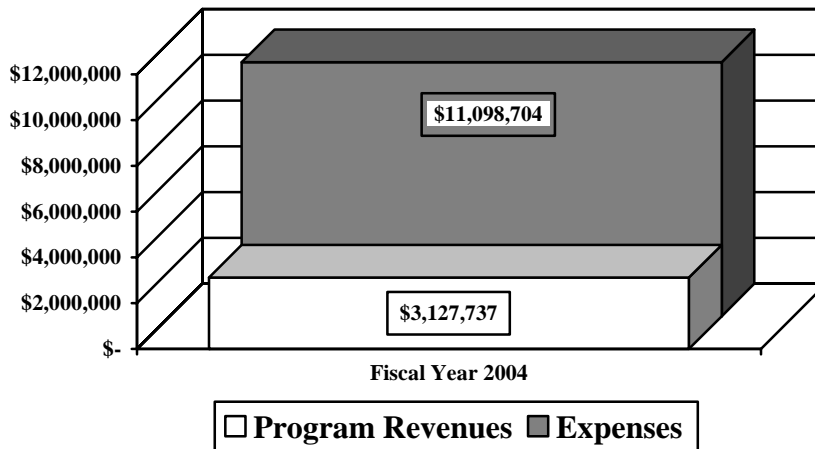
Security of persons and property which primarily supports the operations of the police department accounted for \$1,299,882 or 10.42% of the total expenses of the Village. Security of persons and property expenses were partially funded by \$48,215 in direct charges to users of the services. General government expenses totaled \$4,618,191. General government expenses were partially funded by \$373,296 in direct charges to users of the services.

The state and federal government contributed to the Village a total of \$455,998 in operating grants and contributions and \$1,270,378 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$1,270,378 subsidized transportation programs.

General revenues totaled \$7,352,892, and amounted to 65.35% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,909,068. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$221,594.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the Village is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. As program revenues are not sufficient to cover total governmental expenses for 2004. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities – Program Revenues vs. Total Expenses



**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

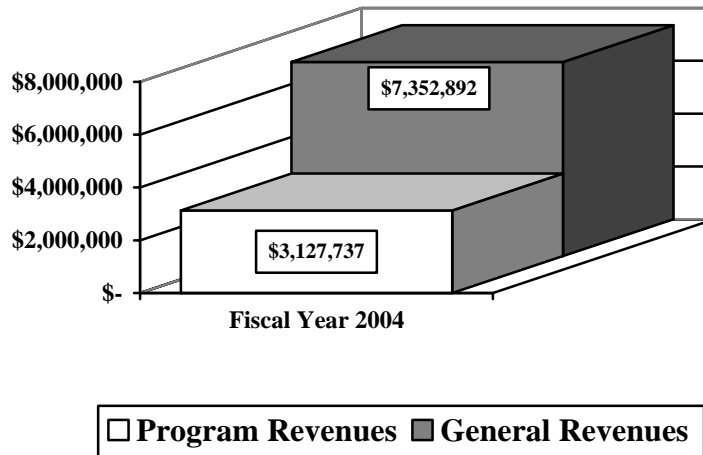
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program Expenses:		
General government	\$ 4,618,191	\$ 4,244,895
Security of persons and property	1,299,882	1,251,667
Public health and welfare	76,512	65,031
Transportation	878,767	(824,930)
Community environment	455,508	440,508
Leisure time activity	2,795,756	1,819,708
Economic development	182,801	182,801
Interest and fiscal charges	<u>791,287</u>	<u>791,287</u>
 Total	 <u>\$ 11,098,704</u>	 <u>\$ 7,970,967</u>

The dependence upon general revenues for governmental activities is apparent, with 71.82% of expenses supported through taxes and other general revenues. The chart below illustrates the Village's program revenues versus general revenues for 2004.

Governmental Activities – General and Program Revenues



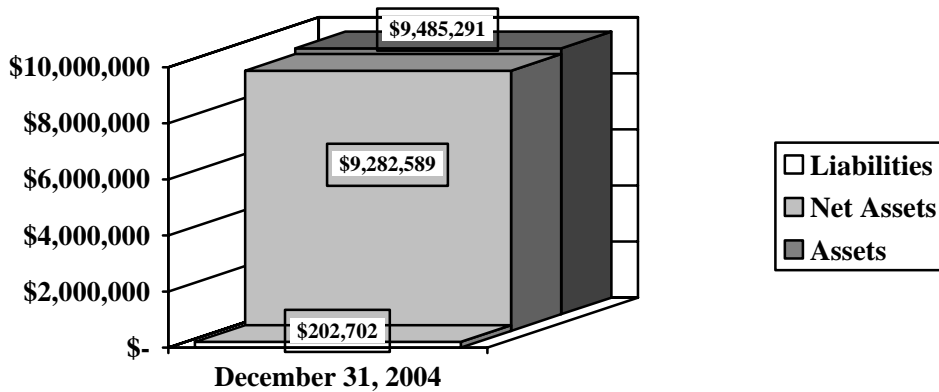
**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$770,676, transfers in of \$161,536 and expenses of \$1,376,395 for 2004. The graph below shows the business-type activities assets, liabilities and net assets at year-end. The decrease in the business-type activities net assets is primarily due to the purchase of water and sewer mains (\$204,235 and \$257,481 respectively) in addition to continuing depreciation expense on assets (\$156,756) that have been unable to be fully recovered through water and sewer user charges.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The Village's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$455,873 which is \$5,104,132 lower than last year's total of \$5,560,005 (as restated). The December 31, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and non-major governmental funds.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

	<u>Fund Balances 12/31/04</u>	<u>Fund Balances 12/31/03</u>	<u>Increase (Decrease)</u>
Major funds:			
General	\$ (2,092,405)	\$ 209,138	\$ (2,301,543)
Street Maintenance and Repair	352,767	641,863	(289,096)
Debt Service	(499,091)	(605,067)	105,976
Capital improvement	2,364,602	4,973,668	(2,609,066)
Other nonmajor governmental funds	<u>330,000</u>	<u>340,403</u>	<u>(10,403)</u>
Total	<u>\$ 455,873</u>	<u>\$ 5,560,005</u>	<u>\$ (5,104,132)</u>

General Fund

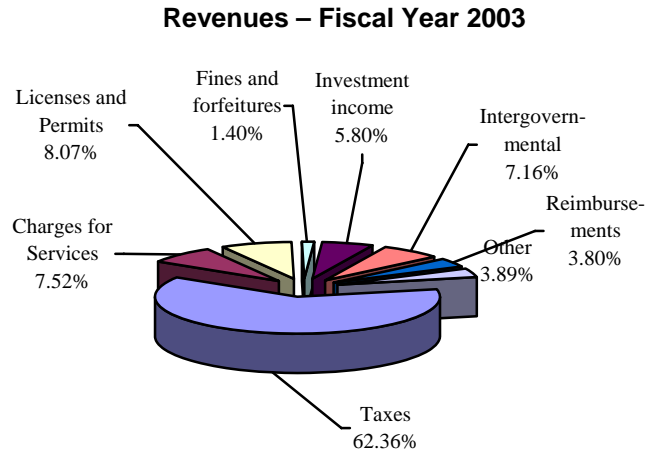
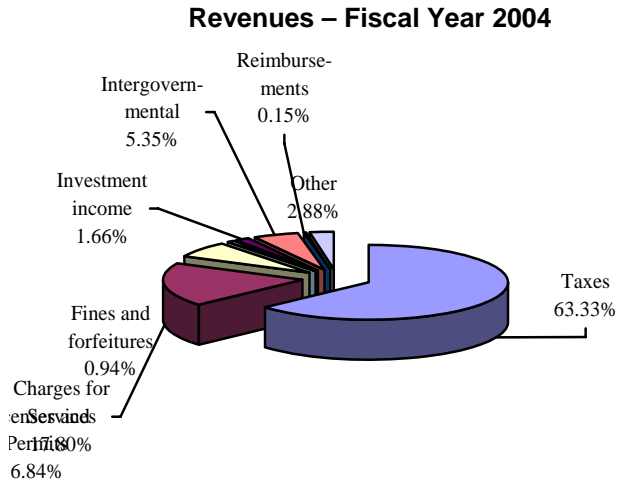
The Village's general fund balance decreased \$2,301,543. The table that follows assists in illustrating the revenues of the general fund.

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 3,181,592	\$ 2,419,357	31.51 %
Charges for services	947,089	291,787	224.58 %
Licenses and permits	343,757	313,151	9.77 %
Fines and forfeitures	47,117	54,371	(13.34) %
Investment income	83,373	225,208	(62.98) %
Intergovernmental	268,576	277,967	(3.38) %
Reimbursements	7,531	147,307	(94.89) %
Other	<u>144,485</u>	<u>150,875</u>	(4.24) %
Total	<u>\$ 5,023,520</u>	<u>\$ 3,880,023</u>	29.47 %

Tax revenue represents 63.33% of all general fund revenue. Tax revenue increased 31.51% over prior year due to new business and residential growth. The increase in charges for services revenue is due to an increase in the collections of recreation center dues.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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The table that follows assists in illustrating the expenditures of the general fund.

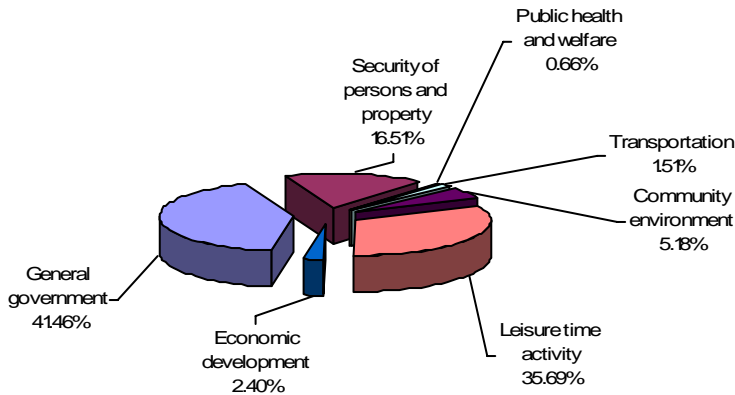
	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 3,110,425	\$ 1,811,267	71.73
Security of persons and property	1,238,323	1,155,880	7.13
Public health and welfare	49,798	44,938	10.81
Transportation	113,357	638,158	(82.24)
Community environment	388,229	316,506	22.66
Leisure time activity	2,421,648	1,874,450	29.19
Economic development	179,722	230,182	(21.92)
Capital outlay	-	92,928	(100.00)
Other	-	45,956	(100.00)
Total	<u>\$ 7,501,502</u>	<u>\$ 6,210,265</u>	20.79

The Village increased total expenditures by 20.79%. The largest expenditure line item, general government, increased 71.73% and the second largest expenditure line item leisure time activities increased 29.19%, which are both primarily attributed to wage and benefit increases and additional hiring of employees and purchase of items associated with the recreation center opening and operation.

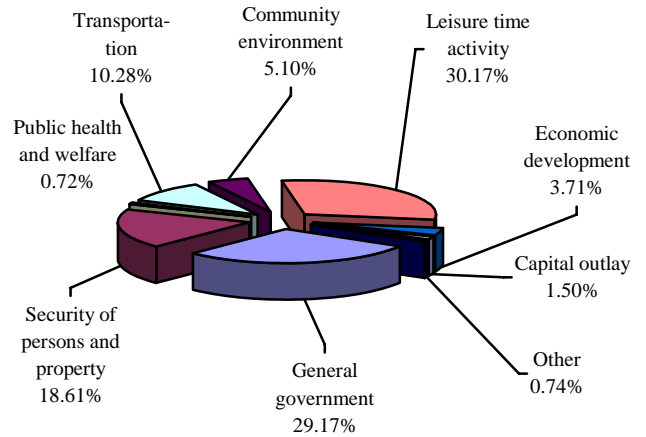
**VILLAGE OF GROVEPORT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

Expenditures - Fiscal Year 2004



Expenditures - Fiscal Year 2003



Budgeting Highlights

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

In the general fund, the actual revenues and other financing sources came in \$601,820 less than they were in the final budget and actual expenditures were \$426,091 less than the amount in the final budget. Budgeted expenditures were increased \$729,942 from the original to the final budget. Budgeted revenues were increased \$903,498 from the original to the final budget. Increases to budgeted revenues and expenditures were due to anticipated increases in revenues that were to be spent, but were only partially realized.

Street Maintenance and Repair Fund

The Street Maintenance and Repair Fund had revenues of \$381,851 in 2004. The expenditures of the Street Maintenance and Repair Fund, totaled \$670,947 in 2004. The net decrease in fund balance for the Street Maintenance and Repair Fund was \$289,096 or 45.04%, due to increased expenditures for road maintenance and repair.

Debt Service Fund

The Debt Service Fund had revenues of \$1,376,868 and expenditures of \$1,270,892 in 2004 based on levied revenues from income taxes and the Village's required debt payments.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Capital Improvement Fund

The Capital Improvement Fund had revenues of \$3,260,738 in 2004. The expenditures of the Capital Improvement Fund, totaled \$5,869,804 in 2004. The net decrease in fund balance for the Capital Improvement Fund was \$2,609,066 or 52.46%, primarily due to the expenditures associated with the construction of the Village's recreation center.

Water Fund

The Water Fund had revenues of \$321,774 with capital contributions of \$161,536. The expenditures of the Water Fund, totaled \$612,326 in 2004. The change in net assets for the Water Fund was \$129,016, due to the purchase of water mains of \$204,235 in addition to continuing depreciation expense on assets that have been unable to be fully recovered through user charges.

Sewer Fund

The Sewer Fund had revenues of \$448,902. The expenditures of the Sewer Fund, totaled \$764,069 in 2004. The change in net assets for the Sewer Fund was \$315,167, due to the purchase of storm sewer mains of \$257,481 in addition to continuing depreciation expense on assets that have been unable to be fully recovered through user charges.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the Village had \$29,342,102 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment (FF&E), vehicles, water mains, storm sewer mains, sanitary sewer mains and infrastructure (governmental activities infrastructure reflect only infrastructure assets purchased in 2004). Of this total, \$21,590,021 was reported in governmental activities and \$7,752,081 was reported in business-type activities. See Note 10 for further description of capital assets.

The following table shows fiscal 2004 balances compared to 2003:

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

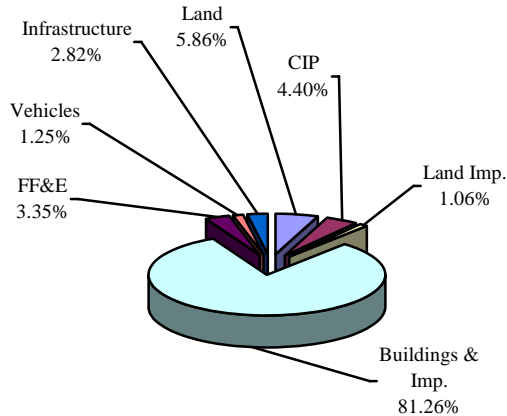
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 1,264,442	\$ 1,207,820	\$ 11,837	\$ 11,837	\$ 1,276,279	\$ 1,219,657
Construction in progress	949,321	-	-	-	949,321	-
Land improvements	228,560	126,491	-	-	228,560	126,491
Buildings and improvements	17,546,450	15,982,720	89,218	95,044	17,635,668	16,077,764
FF&E	723,180	512,648	72,266	23,449	795,446	536,097
Vehicles	270,165	200,027	-	-	270,165	200,027
Infrastructure	607,903	-	-	-	607,903	-
Mains	-	-	7,578,760	7,264,350	7,578,760	7,264,350
Totals	<u>\$ 21,590,021</u>	<u>\$ 18,029,706</u>	<u>\$ 7,752,081</u>	<u>\$ 7,394,680</u>	<u>\$ 29,342,102</u>	<u>\$ 25,424,386</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

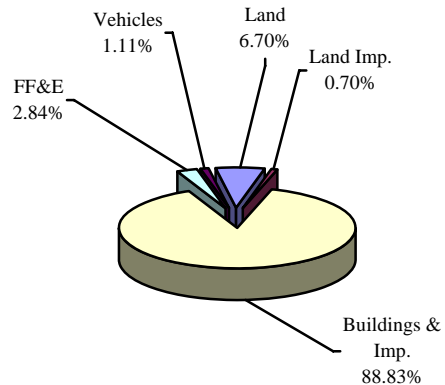
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

Capital Assets - Governmental Activities 2004



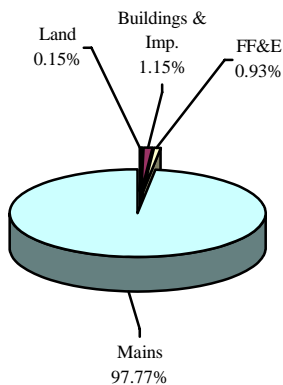
Capital Assets - Governmental Activities 2003



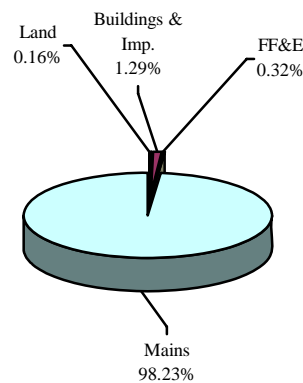
This is the Village's first year of reporting infrastructure, with totals only reflecting current year infrastructure since previous years have not been phased in, and it is already the fourth largest capital asset category. Infrastructure includes streets and traffic signals. These items are immovable and of value only to the Village, however, the annual cost of purchasing these items is quite significant. The net book value of the Village's 2004 infrastructure (cost less accumulated depreciation) represents approximately 2.82% of the Village's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

Capital Assets - Business-Type Activities 2004



Capital Assets - Business-Type Activities 2003



The Village's largest business-type capital asset category is mains which include water mains, storm sewer mains and sanitary sewer mains. These items play a vital role in the income producing ability of the business-type activities. The net book value of the Village's mains (cost less accumulated depreciation) represents approximately 97.77% of the Village's total business-type capital assets.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2004 and 2003:

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Income tax revenue bonds	\$ 15,300,000	\$ 15,700,000
Capital leases payable	690,133	769,738
Compensated absences	<u>170,153</u>	<u>152,710</u>
Total long-term obligations	<u>\$ 16,160,286</u>	<u>\$ 16,622,448</u>
	Business-type Activities	
	<u>2004</u>	<u>2003</u>
Compensated absences	<u>\$ 35,345</u>	<u>\$ 30,526</u>
Total long-term obligations	<u>\$ 35,345</u>	<u>\$ 30,526</u>

The Village issued no new debt during 2004 and made a principal payment of \$400,000 on the income tax revenue bonds issued in 2002.

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

Contacting the Village's Financial Management

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

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**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 770,364	\$ 1,229,356	\$ 1,999,720
Receivables (net of allowances for uncollectibles):			
Income taxes	1,499,214	-	1,499,214
Real and other taxes	317,927	-	317,927
Accounts	60,177	97,245	157,422
Accrued interest	23,396	-	23,396
Intergovernmental	1,227,581	-	1,227,581
Internal balances	(406,609)	406,609	-
Capital assets:			
Land and construction in progress.	2,213,763	11,837	2,225,600
Depreciable capital assets, net	19,376,258	7,740,244	27,116,502
Total capital assets.	<u>21,590,021</u>	<u>7,752,081</u>	<u>29,342,102</u>
 Total assets.	 <u>25,082,071</u>	 <u>9,485,291</u>	 <u>34,567,362</u>
Liabilities:			
Accounts payable.	142,613	13,866	156,479
Contracts payable.	623,735	132,381	756,116
Accrued wages and benefits	175,018	8,419	183,437
Retainage payable	122,301	-	122,301
Due to other governments	473,376	12,691	486,067
Deferred revenue.	252,457	-	252,457
Accrued Interest Payable.	53,709	-	53,709
Long-term liabilities:			
Due within one year	818,510	9,586	828,096
Due in more than one year	15,341,776	25,759	15,367,535
 Total liabilities	 <u>18,003,495</u>	 <u>202,702</u>	 <u>18,206,197</u>
Net assets:			
Invested in capital assets, net of related debt	5,599,888	7,752,081	13,351,969
Restricted for:			
Capital projects.	2,899,747	-	2,899,747
Other purposes	874,841	-	874,841
Unrestricted.	<u>(2,295,900)</u>	<u>1,530,508</u>	<u>(765,392)</u>
 Total net assets	 <u>\$ 7,078,576</u>	 <u>\$ 9,282,589</u>	 <u>\$ 16,361,165</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 4,618,191	\$ 373,296	\$ -	\$ -
Security of persons and property.	1,299,882	48,215	-	-
Public health and welfare	76,512	3,802	7,679	-
Transportation	878,767	-	433,319	1,270,378
Community environment.	455,508	-	15,000	-
Leisure time activity.	2,795,756	976,048	-	-
Economic development	182,801	-	-	-
Interest and fiscal charges.	791,287	-	-	-
Total governmental activities	11,098,704	1,401,361	455,998	1,270,378
Business-Type Activities:				
Water	612,326	321,774	-	-
Sewer	764,069	448,902	-	-
Total business-type activities	1,376,395	770,676	-	-
Total primary government.	\$ 12,475,099	\$ 2,172,037	\$ 455,998	\$ 1,270,378

General Revenues:

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,244,895)	\$ -	\$ (4,244,895)
(1,251,667)	-	(1,251,667)
(65,031)	-	(65,031)
824,930	-	824,930
(440,508)	-	(440,508)
(1,819,708)	-	(1,819,708)
(182,801)	-	(182,801)
(791,287)	-	(791,287)
<u>(7,970,967)</u>	<u>-</u>	<u>(7,970,967)</u>
-	(290,552)	(290,552)
-	(315,167)	(315,167)
<u>-</u>	<u>(605,719)</u>	<u>(605,719)</u>
<u>(7,970,967)</u>	<u>(605,719)</u>	<u>(8,576,686)</u>
226,597	-	226,597
15,840	-	15,840
3,331,881	-	3,331,881
1,376,868	-	1,376,868
1,957,882	-	1,957,882
221,594	-	221,594
69,814	-	69,814
152,416	-	152,416
<u>7,352,892</u>	<u>-</u>	<u>7,352,892</u>
<u>(161,536)</u>	<u>161,536</u>	<u>-</u>
(779,611)	(444,183)	(1,223,794)
<u>7,858,187</u>	<u>9,726,772</u>	<u>17,584,959</u>
<u>\$ 7,078,576</u>	<u>\$ 9,282,589</u>	<u>\$ 16,361,165</u>

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Street Maintenance and Repair	Debt Service	Capital Improvement	Other Governmental	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$ -	\$ 348,977	\$ -	\$ 36,330	\$ 385,057	\$ 770,364
Receivables (net of allowance for uncollectibles):						
Income taxes	648,157	-	229,929	621,128	-	1,499,214
Real and other taxes	317,927	-	-	-	-	317,927
Accounts	60,177	-	-	-	-	60,177
Intergovernmental	130,859	251,914	-	809,953	34,855	1,227,581
Accrued interest	23,396	-	-	-	-	23,396
Interfund loans	-	-	-	1,053,549	-	1,053,549
Due from other funds	-	-	-	1,258,491	-	1,258,491
Total assets	\$ 1,180,516	\$ 600,891	\$ 229,929	\$ 3,779,451	\$ 419,912	\$ 6,210,699
Liabilities:						
Accounts payable	\$ 128,107	\$ 2,961	\$ -	\$ -	\$ 11,545	\$ 142,613
Contracts payable	54,861	-	-	568,874	-	623,735
Retainage payable	-	-	-	122,301	-	122,301
Accrued wages and benefits	150,115	21,473	-	-	3,430	175,018
Interfund loan payable	785,933	-	257,959	-	9,657	1,053,549
Due to other funds	1,283,041	-	347,108	-	34,951	1,665,100
Due to other governments	340,124	10,132	-	118,058	5,062	473,376
Deferred revenue	530,740	213,558	70,244	605,616	25,267	1,445,425
Accrued Interest Payable	-	-	53,709	-	-	53,709
Total liabilities	3,272,921	248,124	729,020	1,414,849	89,912	5,754,826
Fund Balances:						
Reserved for encumbrances	47,352	5,670	-	112,299	73,750	239,071
Designated for budget stabilization	783,334	-	-	-	-	783,334
Unreserved, undesignated, reported in:						
General fund	(2,923,091)	-	-	-	-	(2,923,091)
Special revenue funds	-	347,097	-	-	256,250	603,347
Debt service fund	-	-	(499,091)	-	-	(499,091)
Capital projects funds	-	-	-	2,252,303	-	2,252,303
Total fund balances	(2,092,405)	352,767	(499,091)	2,364,602	330,000	455,873
Total liabilities and fund balances	\$ 1,180,516	\$ 600,891	\$ 229,929	\$ 3,779,451	\$ 419,912	\$ 6,210,699

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total governmental fund balances			\$ 455,873
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,590,021
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	60,916	
Income taxes		607,415	
Intergovernmental revenues		518,748	
Accrued interest		5,889	
		<u> </u>	
Total			1,192,968
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
Compensated absences		170,153	
Capital lease payable		690,133	
Tax revenue bonds		15,300,000	
		<u> </u>	
			<u>(16,160,286)</u>
Net assets of governmental activities			<u>\$ 7,078,576</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Street Maintenance and Repair	Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Municipal income taxes	\$ 2,954,995	\$ -	\$ 1,376,868	\$ 2,217,842	\$ -	\$ 6,549,705
Property and other taxes	226,597	-	-	-	15,840	242,437
Charges for services	947,089	-	-	-	54,781	1,001,870
Licenses and permits	343,757	-	-	-	-	343,757
Fines and forfeitures	47,117	-	-	-	8,617	55,734
Intergovernmental	268,576	381,851	-	1,042,896	55,970	1,749,293
Investment income	83,373	-	-	-	-	83,373
Reimbursements	7,531	-	-	-	-	7,531
Other	144,485	-	-	-	400	144,885
Total revenues	5,023,520	381,851	1,376,868	3,260,738	135,608	10,178,585
Expenditures:						
Current:						
General government	3,110,425	-	-	245,051	15,311	3,370,787
Security of persons and property	1,238,323	-	-	-	675	1,238,998
Public health and welfare	49,798	-	-	-	13,869	63,667
Transportation	113,357	670,947	-	-	35,313	819,617
Community environment	388,229	-	-	-	80,843	469,072
Leisure time activity	2,421,648	-	-	-	-	2,421,648
Economic development	179,722	-	-	-	-	179,722
Capital outlay	-	-	-	5,624,753	-	5,624,753
Debt service:						
Principal retirement	-	-	479,605	-	-	479,605
Interest and fiscal charges	-	-	791,287	-	-	791,287
Total expenditures	7,501,502	670,947	1,270,892	5,869,804	146,011	15,459,156
Excess (deficiency) of revenues over (under) expenditures	(2,477,982)	(289,096)	105,976	(2,609,066)	(10,403)	(5,280,571)
Other financing sources (uses):						
Sale of capital assets	176,439	-	-	-	-	176,439
Total other financing sources (uses)	176,439	-	-	-	-	176,439
Net change in fund balances	(2,301,543)	(289,096)	105,976	(2,609,066)	(10,403)	(5,104,132)
Fund balances (deficits) at beginning of year (restated)	209,138	641,863	(605,067)	4,973,668	340,403	5,560,005
Fund balances (deficits) at end of year	\$ (2,092,405)	\$ 352,767	\$ (499,091)	\$ 2,364,602	\$ 330,000	\$ 455,873

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds \$ (5,104,132)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,203,107) exceeded depreciation expense (\$632,314) in the current period.	3,570,793
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(10,478)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	302,044
Repayment of tax revenue bonds and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	479,605
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(17,443)</u>
Change in net assets of governmental activities	<u><u>\$ (779,611)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 3,102,360	\$ 3,691,341	\$ 2,911,622	\$ (779,719)
Property and other taxes	223,495	265,925	226,597	(39,328)
Charges for services	581,150	691,481	886,912	195,431
Licenses and permits and fees	235,000	279,615	343,757	64,142
Fines and forfeitures	70,700	84,122	47,117	(37,005)
Intergovernmental	289,392	344,333	269,125	(75,208)
Investment income	250,000	297,462	72,190	(225,272)
Reimbursement	15,000	15,848	7,532	(8,316)
Other	13,000	13,468	144,484	131,016
Total revenues	4,780,097	5,683,595	4,909,336	(774,259)
Expenditures:				
Current:				
General government	2,596,571	2,955,526	2,729,370	226,156
Security of persons and property	1,310,922	1,358,922	1,242,299	116,623
Public health and welfare	55,500	55,500	40,455	15,045
Transportation	143,941	143,941	142,671	1,270
Community environment	391,724	394,724	370,926	23,798
Leisure time activity	2,215,110	2,535,097	2,491,349	43,748
Economic development and assistance	182,101	182,101	182,650	(549)
Total expenditures	6,895,869	7,625,811	7,199,720	426,091
Excess (deficiency) of revenues over (under) expenditures	(2,115,772)	(1,942,216)	(2,290,384)	(348,168)
Other financing sources:				
Sale of capital assets	4,000	4,000	176,439	172,439
Total other financing sources	4,000	4,000	176,439	172,439
Net change in fund balance	(2,111,772)	(1,938,216)	(2,113,945)	(175,729)
Fund balance at beginning of year	382,110	382,110	382,110	-
Prior year encumbrances appropriated	661,095	661,095	661,095	-
Fund balance at end of year	\$ (1,068,567)	\$ (895,011)	\$ (1,070,740)	\$ (175,729)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET MAINTENANCE AND REPAIR
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 190,000	\$ 190,000	\$ 381,190	\$ 191,190
Investment income	4,000	4,000	-	(4,000)
Total revenues.	<u>194,000</u>	<u>194,000</u>	<u>381,190</u>	<u>187,190</u>
Expenditures:				
Current:				
Transportation	557,302	710,597	652,808	57,789
Total expenditures	<u>557,302</u>	<u>710,597</u>	<u>652,808</u>	<u>57,789</u>
Net change in fund balance	(363,302)	(516,597)	(271,618)	244,979
Fund balance at beginning of year	591,994	591,994	591,994	-
Prior year encumbrances appropriated	<u>22,062</u>	<u>22,062</u>	<u>22,062</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 250,754</u>	<u>\$ 97,459</u>	<u>\$ 342,438</u>	<u>\$ 244,979</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	Business-Type Activities -Enterprise Funds		
	Water	Sewer	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 297,141	\$ 932,215	\$ 1,229,356
Receivables (net of allowance for uncollectibles):			
Accounts	65,317	31,928	97,245
Due From Other Funds	-	406,609	406,609
Total current assets	<u>362,458</u>	<u>1,370,752</u>	<u>1,733,210</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	11,837	-	11,837
Depreciable capital assets, net	3,163,518	4,576,726	7,740,244
Total capital assets	<u>3,175,355</u>	<u>4,576,726</u>	<u>7,752,081</u>
Total assets	<u>3,537,813</u>	<u>5,947,478</u>	<u>9,485,291</u>
Liabilities:			
Current liabilities:			
Accounts payable.	11,914	1,952	13,866
Contracts payable.	43,710	88,671	132,381
Accrued wages and benefits	8,419	-	8,419
Compensated absences	9,586	-	9,586
Due to other governments	12,691	-	12,691
Total current liabilities	<u>86,320</u>	<u>90,623</u>	<u>176,943</u>
Long-term liabilities:			
Compensated absences	25,759	-	25,759
Total long-term liabilities	<u>25,759</u>	<u>-</u>	<u>25,759</u>
Total liabilities	<u>112,079</u>	<u>90,623</u>	<u>202,702</u>
Net assets:			
Invested in capital assets, net of related debt.	3,175,355	4,576,726	7,752,081
Unrestricted	250,379	1,280,129	1,530,508
Total net assets	<u>\$ 3,425,734</u>	<u>\$ 5,856,855</u>	<u>\$ 9,282,589</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	321,774	448,902	770,676
Total operating revenues	<u>321,774</u>	<u>448,902</u>	<u>770,676</u>
Operating expenses:			
Personal services	183,721	-	183,721
Contract services	225,560	396,037	621,597
Materials and supplies	132,817	279,331	412,148
Depreciation	68,055	88,701	156,756
Other	2,173	-	2,173
Total operating expenses.	<u>612,326</u>	<u>764,069</u>	<u>1,376,395</u>
Operating loss before capital contributions.	(290,552)	(315,167)	(605,719)
Capital contributions.	<u>161,536</u>	<u>-</u>	<u>161,536</u>
Changes in net assets	(129,016)	(315,167)	(444,183)
Net assets at beginning of year (restated).	<u>3,554,750</u>	<u>6,172,022</u>	<u>9,726,772</u>
Net assets at end of year.	<u><u>\$ 3,425,734</u></u>	<u><u>\$ 5,856,855</u></u>	<u><u>\$ 9,282,589</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 341,682	\$ 534,693	\$ 876,375
Cash payments for personal services	(169,603)	-	(169,603)
Cash payments for contract services	(180,626)	(308,126)	(488,752)
Cash payments for materials and supplies	(122,541)	(277,535)	(400,076)
Cash payments for other expenses.	(1,373)	-	(1,373)
	<hr/>	<hr/>	<hr/>
Net cash used in operating activities	(132,461)	(50,968)	(183,429)
Cash flows from capital and related financing activities:			
Capital contributions	161,536	-	161,536
Acquisition of capital assets	(204,235)	(309,922)	(514,157)
Net cash used in capital and related financing activities	(42,699)	(309,922)	(352,621)
	<hr/>	<hr/>	<hr/>
Cash flows from non-capital financing activities:			
Cash payments due from other funds	-	(406,609)	(406,609)
	<hr/>	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(175,160)	(767,499)	(942,659)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	472,301	1,699,714	2,172,015
Cash and cash equivalents at end of year.	<u>\$ 297,141</u>	<u>\$ 932,215</u>	<u>\$ 1,229,356</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (290,552)	\$ (315,167)	\$ (605,719)
Adjustments:			
Depreciation	68,055	88,701	156,756
Changes in assets and liabilities:			
Decrease in accounts receivable.	19,908	85,791	105,699
Increase in accounts payable	11,500	1,036	12,536
Increase in contracts payable.	43,710	88,671	132,381
Increase in accrued wages and benefits	3,034	-	3,034
Increase in due to other governments	7,065	-	7,065
Increase in compensated absences payable.	4,819	-	4,819
	<hr/>	<hr/>	<hr/>
Net cash used in operating activities	<u>\$ (132,461)</u>	<u>\$ (50,968)</u>	<u>\$ (183,429)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004**

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 87,816
Cash in segregated accounts	4,165
	91,981
Total assets.	\$ 91,981
 Liabilities:	
Due to other governments	\$ 4,165
Deposits held and due to others	87,816
	91,981
Total liabilities	\$ 91,981

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 - DESCRIPTION OF THE VILLAGE

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

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

Fund Financial Statements - During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and 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.

C. Fund Accounting

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

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

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

Street Maintenance and Repair - This fund accounts for all transactions relating to the maintenance and construction of streets.

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the Village receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Village must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Village on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

F. Budgetary Data

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

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

The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official Certificate of Estimated Resources which states the projected revenue of each fund. On or about January 1, this Certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Measure. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the following year as authority for expenditure. Budgeted receipts as shown in the accompanying financial statements do not include January 1, 2004 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

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

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and beginning-year fund balance. Supplemental appropriations were made in 2004. These supplemental appropriations were legally enacted by Village Council. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

G. Cash and Cash Equivalents

To improve cash management, cash received by the Village except cash held by a fiscal agent, is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2004, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. treasury notes, federal agency securities, a repurchase agreement and nonnegotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The Village has invested funds in STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2004 amounted to \$83,373. The \$83,373 included \$71,528 assigned from other Village funds.

The Village has a segregated bank account for Mayor's Court monies held separate from the Village's central bank account. This interest bearing depository account is presented on the combined balance sheet as "Cash in Segregated Accounts" since it is not required to be deposited into the Village treasury. "Cash in Segregated Accounts" also exist for obligations owed to various contracts the Village is subject.

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

An analysis of the Village's investment account at year-end is provided in Note 5.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

H. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land Improvements	20 years	20 years
Buildings	50 years	50 years
Furniture, fixtures and equipment	10 - 30 years	10 - 30 years
Vehicles	8 years	8 years
Infrastructure:		
Streets	40 years	40 years
Thoroughfares/Curbs/Gutters/Sidewalks	30 years	30 years
Traffic Signals	20 years	20 years
Water Mains	n/a	65 years
Storm Sewers	n/a	65 years
Sanitary Sewer Lines	n/a	65 years

I. Compensated Absences

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

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

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables", long-term interfund loans are classified as "due to/from other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

M. Fund Balance Reserves and Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds. The Village also has designated a portion of fund balance to budget stabilization.

The Village reports a reservation of fund balance for amounts representing encumbrances outstanding in the governmental fund financial statements. The Village also has designated a portion of fund balance to budget stabilization.

N. Estimates

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

O. Contributions of Capital

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES

A. Changes in Accounting Principles and Accounting Change

For fiscal year 2004, the Village has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post Employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers".

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES - (Continued)

At December 31, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39, 41, and 46 and GASB Technical Bulletin No. 2004-2.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the government not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/ expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post employment benefit (OPEB) plans.

GASB 34 creates new basic financial statements for reporting on the Village's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the Village's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to the accrual basis of accounting.

Governmental Activities – Change in Accounting Principle - It was also determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2003. A restatement is also presented to include the intergovernmental payable previously reported in the general long-term obligations account group as a fund liability since it was due and payable at year-end.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES - (Continued)

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Debt Service</u>	<u>Capital Improvement</u>
Fund balance December 31, 2003	\$ 204,480	\$ 641,863	\$ (605,067)	\$ 4,973,668
GASB Interpretation No. 6 adjustments	<u>4,658</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restated fund balance January 1, 2004	<u>\$ 209,138</u>	<u>\$ 641,863</u>	<u>\$ (605,067)</u>	<u>\$ 4,973,668</u>

	<u>Nonmajor</u>	<u>Total</u>
Fund balance December 31, 2003	\$ 340,403	\$ 5,555,347
GASB Interpretation No. 6 adjustments	<u>-</u>	<u>4,658</u>
Restated fund balance January 1, 2004	<u>\$ 340,403</u>	<u>\$ 5,560,005</u>

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance December 31, 2003	\$ 5,560,005
GASB Statement No. 34 adjustments:	
Capital assets	18,029,706
Long-term liabilities	(16,622,448)
Long-term (deferred assets)	<u>890,924</u>
Governmental activities net assets, December 31, 2003	<u>\$ 7,858,187</u>

Business-type Activities – Accounting Change – A prior period adjustment is required to correct estimates of compensated absences and errors related to the overstatement of capital assets in amounts previously reported. These prior period adjustments had the following effect on fund equity as previously reported:

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES - (Continued)

<u>Business-type Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Fund equity at December 31, 2003	\$3,759,651	\$ 6,182,000	\$9,941,651
Adjustment for compensated absences	(1,495)	-	(1,495)
Adjustment for capital assets	<u>(203,406)</u>	<u>(9,978)</u>	<u>(213,384)</u>
Restated net assets at January 1, 2004	<u>\$3,554,750</u>	<u>\$ 6,172,022</u>	<u>\$9,726,772</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at December 31, 2004 included the following individual fund deficits:

<u>Major funds</u>	<u>Deficit</u>
General	\$ 2,092,405
Debt service	499,091
 <u>Nonmajor governmental fund</u>	
Tree fund	44,608

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

B. Deficit Cash Fund Balances

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

<u>Major funds</u>	<u>Deficit</u>
General	\$ 1,283,041
Debt service	347,108
 <u>Nonmajor governmental fund</u>	
Tree fund	34,951

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C Compliance

- i. The following funds had appropriations in excess of estimated resources for the year ended December 31, 2004 in noncompliance with Ohio Revised Code 5705.39:

	<u>Appropriation</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Major funds</u>			
General	\$ 6,964,716	\$ 6,069,705	\$ (895,011)
Capital Improvement	3,500,000	3,450,000	(50,000)
Water Fund	738,911	631,000	(107,911)
 <u>Nonmajor funds</u>			
Park Fund	70,000	40,000	(70,000)
Drug Education and Enf.	2,000	1,200	(800)
Tree Fund	65,000	45,000	(20,000)

- ii. The following funds had expenditure in excess of appropriations for the year ended December 31, 2004 in noncompliance with Ohio Revised Code 5705.41(B):

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major fund</u>			
Debt service	\$ 1,200,000	\$ 1,217,183	\$ (17,183)

- iii. The following funds had actual receipts less than estimated receipts for the year ended December 31, 2004 in noncompliance with Ohio Revised Code 5705.36:

	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Deficit</u>
<u>Major funds</u>			
Water Fund	\$ 345,000	\$ 341,682	\$ (3,318)
 <u>Nonmajor funds</u>			
Senior Transportation Grant	1,500	900	(1,500)
Drug Education and Enf.	100	-	(100)
Tree Fund	35,000	15,000	(35,000)
Escrow Inspection	100,000	41,575	(58,425)
Cemetery Perpetual Care	1,000	-	(1,000)

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

Inactive deposits are public deposits that the Village 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 that 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 pass book accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. During 2004, the Village's investments were limited to government securities and STAR Ohio. During the fiscal year, all investments of the Village had a maturity of five years or less.

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

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

Deposits: At year-end, the carrying amount of the Village's deposits (which includes cash in segregated accounts) was \$809,339 and the bank balance was \$1,257,501. Of the bank balance:

1. \$304,165 was covered by federal depository insurance; and
2. \$957,501 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

Investments: The Village's investments are required to be categorized to give an indication of the level of risk assumed by the Village at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Village's name.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

	Category 2	Reported Amount	Fair Value
U.S. treasury notes	\$ 330,000	\$ 330,000	\$ 330,000
Federal agency securities	928,997	928,997	928,997
Total Category 3	\$ 1,258,997		
Investment in STAR Ohio		23,365	23,365
Total investments		\$ 1,282,362	\$ 1,282,362

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 2,091,701	\$ -
Investments of the cash management pool:		
U.S. treasury notes	(330,000)	330,000
Federal agency securities	(928,997)	928,997
Investment in STAR Ohio	(23,365)	23,365
GASB Statement No. 3	\$ 809,339	\$ 1,282,362

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 6 - INTERFUND TRANSACTIONS

- A. Due to/from other funds consisted of the following at December 31, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	
Capital Improvements	\$ 1,258,491
Sewer Fund	406,609
Total receivable funds:	\$ 1,665,100

<u>Payable Funds</u>	
General	\$ 1,283,041
Debt service	347,108
Nonmajor governmental fund	34,951
Total payable funds	\$ 1,665,100

The purpose of the due to/from other funds is to cover negative cash balances at December 31, 2004. These amounts will be repaid within one year.

- B. Interfund loans receivable/payable consisted of the following at December 31, 2004, as reported on the fund financial statements. The underlying advances were made in a prior year and have not been repaid as of December 31, 2004.

<u>Receivable Fund</u>	
Capital Improvements	\$ 1,053,549

<u>Payable Funds</u>	
General	785,933
Debt service	257,959
Nonmajor governmental fund	9,657
Total payable funds	\$ 1,053,549

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Real property taxes and public utility taxes are levied after October 1 on the assessed value as of the prior January 1, the tax lien date. Assessed values are established by state law at 35 percent of appraised market value, as established by the County Auditor. All real property is required to be revalued every six years. Real property taxes are payable annually or semiannually. The first payment for 2003 was due January 1, with the remainder payable June 20.

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 - PROPERTY TAXES – (Continued)

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected. The full rate for all Village operations for the year ended December 31, 2004, was \$1.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property located in the Village, upon which taxes for 2004 were collected, are as follows:

<u>Category</u>	<u>Assessed Value</u>
Residential	\$ 77,047,350
Agriculture	1,636,130
Commercial	18,267,150
Industrial	<u>39,301,280</u>
Total real estate	<u>136,251,910</u>
Public utility - real	8,440
Public utility - personal	<u>14,326,940</u>
Total public utility	<u>14,335,380</u>
Tangible personal property	<u>52,709,723</u>
Total	<u>\$ 203,297,013</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the Village in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 8 - LOCAL INCOME TAX

The 2.0 percent Village income tax, which is not subject to renewal, is levied on substantially all income earned within the Village. In addition, the residents of the Village are required to pay Village income tax on income they earn outside the Village; however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village at least quarterly. Major employers are required to remit withholdings to the Village monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the Village. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2004. Income tax revenue for 2004 was \$6,549,705.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Intergovernmental receivables" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2004, as well as intended to finance fiscal 2004 operations.

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

Governmental Activities:

Income taxes	\$ 1,499,214
Real and other taxes	317,927
Accounts	60,177
Accrued interest	23,396
Intergovernmental	1,227,581

Business-type Activities:

Accounts	97,245
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NOTE 10 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to the implementation of GASB 34 which requires the reporting of infrastructure and depreciation in governmental activities and the correction of errors in the prior year in governmental activities and business-type activities.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - CAPITAL ASSETS (Continued)

	Balance		Restated
<u>Governmental Activities:</u>	<u>12/31/03</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>12/31/03</u>
Land	\$ 1,061,854	\$ 145,966	\$ 1,207,820
Land improvements	166,960	130,339	297,299
Buildings and improvements	17,834,151	(1,150,318)	16,683,833
Furniture, fixtures and equipment	827,823	159,143	986,966
Vehicles	907,356	208,747	1,116,103
Less: accumulated depreciation	<u>-</u>	<u>(2,262,315)</u>	<u>(2,262,315)</u>
Total	<u>\$ 20,798,144</u>	<u>\$ (2,768,438)</u>	<u>\$ 18,029,706</u>
<u>Business-type Activities:</u>			
Land	\$ 11,837	\$ -	\$ 11,837
Land improvements	1,965	-	1,965
Buildings and improvements	172,402	58,589	230,991
Furniture, fixtures and equipment	349,133	(295,521)	53,612
Vehicles	10,853	(10,853)	-
Water mains	4,294,062	(183,597)	4,110,465
Storm sewer mains	3,048,388	(15,901)	3,032,487
Sanitary sewer mains	2,396,759	(88,525)	2,308,234
Less: accumulated depreciation	<u>(2,677,335)</u>	<u>322,424</u>	<u>(2,354,911)</u>
Total	<u>\$ 7,608,064</u>	<u>\$ (213,384)</u>	<u>\$ 7,394,680</u>

B. Capital asset activity for the year ended December 31, 2004, was as follows:

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - CAPITAL ASSETS (Continued)

<u>Governmental Activities:</u>	Restated Balance 12/31/03	<u>Additions</u>	<u>Disposals</u>	Balance 12/31/04
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,207,820	\$ 67,100	\$ (10,478)	\$ 1,264,442
Construction in progress	<u>-</u>	<u>949,321</u>	<u>-</u>	<u>949,321</u>
Total capital assets, not being depreciated	<u>1,207,820</u>	<u>1,016,421</u>	<u>(10,478)</u>	<u>2,213,763</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	297,299	111,198	(98,200)	310,297
Buildings and improvements	16,683,833	1,934,993	-	18,618,826
Furniture, fixtures and equipment	986,966	388,831	-	1,375,797
Vehicles	1,116,103	140,940	(35,438)	1,221,605
Infrastructure	<u>-</u>	<u>610,724</u>	<u>-</u>	<u>610,724</u>
Total capital assets, being depreciated	<u>19,084,201</u>	<u>3,186,686</u>	<u>(133,638)</u>	<u>22,137,249</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(170,808)	(9,129)	98,200	(81,737)
Buildings and improvements	(701,113)	(371,263)	-	(1,072,376)
Furniture, fixtures and equipment	(474,318)	(178,299)	-	(652,617)
Vehicles	(916,076)	(70,802)	35,438	(951,440)
Infrastructure	<u>-</u>	<u>(2,821)</u>	<u>-</u>	<u>(2,821)</u>
Total accumulated depreciation	<u>(2,262,315)</u>	<u>(632,314)</u>	<u>133,638</u>	<u>(2,760,991)</u>
Total capital assets, being depreciated, net	<u>16,821,886</u>	<u>2,554,372</u>	<u>-</u>	<u>19,376,258</u>
Governmental activities capital assets, net	<u>\$18,029,706</u>	<u>\$3,570,793</u>	<u>\$ (10,478)</u>	<u>\$21,590,021</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-type Activities:</u>	Restated Balance <u>12/31/03</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 11,837	\$ -	\$ -	\$ 11,837
Total capital assets, not being depreciated	<u>11,837</u>	<u>-</u>	<u>-</u>	<u>11,837</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,965	-	-	1,965
Buildings and improvements	230,991	-	-	230,991
Furniture, fixtures and equipment	53,612	52,081	-	105,693
Vehicles	-	-	-	-
Infrastructure:				
Water mains	4,110,465	204,235	-	4,314,700
Storm sewer mains	3,032,487	257,841	-	3,290,328
Sanitary sewer mains	<u>2,308,234</u>	<u>-</u>	<u>-</u>	<u>2,308,234</u>
Total capital assets, being depreciated	<u>9,737,754</u>	<u>514,157</u>	<u>-</u>	<u>10,251,911</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,965)	-	-	(1,965)
Buildings and improvements	(135,947)	(5,826)	-	(141,773)
Furniture, fixtures and equipment	(30,163)	(3,264)	-	(33,427)
Vehicles	-	-	-	-
Infrastructure:				
Water mains	(1,088,038)	(64,553)	-	(1,152,591)
Storm sewer mains	(538,350)	(47,627)	-	(585,977)
Sanitary sewer mains	<u>(560,448)</u>	<u>(35,486)</u>	<u>-</u>	<u>(595,934)</u>
Total accumulated depreciation	<u>(2,354,911)</u>	<u>(156,756)</u>	<u>-</u>	<u>(2,511,667)</u>
Total capital assets, being depreciated	<u>7,382,843</u>	<u>357,401</u>	<u>-</u>	<u>7,740,244</u>
Business-type activities capital assets,	<u>\$ 7,394,680</u>	<u>\$ 357,401</u>	<u>\$ -</u>	<u>\$ 7,752,081</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 34,884
Security of persons and property	56,091
Public health and welfare	12,845
Transportation	71,103
Leisure time activity	454,312
Economic development	<u>3,079</u>
Total depreciation expense - governmental activities	<u>\$ 632,314</u>

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment has been capitalized in the amount of \$941,325. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal and interest payments on the lease, totaling \$79,605 and \$41,181 respectively, were made out of the debt service fund during 2004.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2004.

<u>Year Ending December 31</u>	<u>Total</u>
2005	\$ 120,785
2006	120,786
2007	120,786
2008	120,786
2009	120,786
2010 - 2011	<u>241,572</u>
Total future minimum lease payments	845,501
Less: amount representing interest	<u>(155,368)</u>
Present value of future minimum lease payments	<u>\$ 690,133</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 12 - VACATION AND SICK LEAVE LIABILITY

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

Upon termination of Village service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2004, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$104,547 and vested benefits for sick leave, net of amounts paid using current expendable available resources, totaled \$65,606. For proprietary fund types, vested benefits for vacation leave totaled \$9,586 and vested benefits for sick leave totaled \$25,759 at December 31, 2004. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16 and an additional liability for employees with ten or more years of governmental service who are entitled to receive a portion of their sick leave balance regardless of the means by which they separate employment from the Village.

NOTE 13 - LONG-TERM OBLIGATIONS

A. The balance of the Village's governmental activities long-term obligations at December 31, 2003 has been restated. The compensated absences liability increased \$16,676 from \$136,034 to \$152,710 due to the implementation of GASB Interpretation 6. During 2004, the following changes occurred in the governmental activities long-term obligations:

<u>Governmental Activities:</u>	Restated Balance 12/31/03	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/04	Amounts Due in One Year
Income Tax Revenue Bonds	\$ 15,700,000	\$ -	\$ (400,000)	\$ 15,300,000	\$ 625,000
Capital Lease Payable	769,738	-	(79,605)	690,133	83,864
Compensated Absences Payable	<u>152,710</u>	<u>104,547</u>	<u>(87,104)</u>	<u>170,153</u>	<u>109,646</u>
Total Governmental Activities	<u>\$ 16,622,448</u>	<u>\$ 104,547</u>	<u>\$ (566,709)</u>	<u>\$ 16,160,286</u>	<u>\$ 818,510</u>

Compensated absences will be paid from the fund from which the employee is paid.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

On October 1, 2002, the Village issued income tax revenue bonds for the purpose of constructing, furnishing and equipping a recreation center with related facilities, site improvements and to advance refund the 1996 general obligation capital facilities bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The Village used \$1,291,605 from the issuance to purchase securities which were placed in an irrevocable trust which will provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the applicable liabilities have been removed from the financial statements. The advanced refunding reduced cash flows of the general obligation by \$234,664 over the next 9 years. The refunding resulted in an economic gain of \$142,988. The principal balance of the general obligation capital facilities refunded bonds at December 31, 2004 was \$875,000.

The following is a summary of the Village's future annual debt service principal and interest requirements for the revenue bonds.

Year	Revenue Bonds		
	Principal	Interest	Total
2005	\$ 625,000	\$ 644,507	\$ 1,269,507
2006	640,000	632,945	1,272,945
2007	650,000	618,865	1,268,865
2008	670,000	602,615	1,272,615
2009	685,000	583,855	1,268,855
2010 - 2014	3,805,000	2,552,110	6,357,110
2015 - 2019	4,760,000	1,603,500	6,363,500
2020 - 2022	3,465,000	352,000	3,817,000
Total	\$ 15,300,000	\$ 7,590,397	\$ 22,890,397

B. During 2004, the following changes occurred in the business-type activities long-term obligations:

Business-Type Activities	Restated Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due in One Year
Compensated Absences Payable	\$ 29,031	\$ 6,314	\$ -	\$ 35,345	\$ 9,586

C. Legal Debt Margins

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2004, the Village's total voted debt margin was \$20,847,095 and the unvoted debt margin was \$10,682,245.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the Village was part of the Ohio Municipal League Joint Self - Insurance Pool an insurance purchasing pool, for general liability, property, auto, crime, forgery, employee liability, public officers liability, and boiler and machinery insurance. The Village has transferred its risk of loss to the insurance carrier to the extent of the limits shown below.

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
<u>Property</u>		\$1,000
	\$16,327,696	
<u>General Liability:</u>		
Per occurrence	\$1,000	\$3,000,000
Annual aggregate	1,000	3,000,000
<u>Inland Marine:</u>		
Accounts Receivable	\$1,000	\$250,000
Contractors Equipment	250	152,131
Police Equipment	250	112,836
Fire Equipment	250	20,500
EDP	250	191,000
<u>Vehicles</u> :		
Comprehensive	\$1,000	\$1,000,000
Collision	1,000	1,000,000
<u>Employees:</u>		
Public Officials Liability	\$1,000	\$3,000,000
Employee Benefit Liability	1,000	1,000,000
Municipal Attorney and Law Director's Liability	1,000	1,000,000

B. Health Insurance

During 2004, the Village was a member of the Central Ohio Health Care Consortium, an insurance purchasing pool, which provides health insurance benefits for full-time employees who wish to participate in the plan. The pool consists of thirteen political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The Village pays monthly contributions to the Consortium, which are used to cover claims and administrative costs, and to purchase excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Plan for medical claims paid for an individual in excess of \$125,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Plan for aggregate claims in excess of \$4,990,568 to a maximum of \$1,000,000 annually. In the event that the losses of the Consortium in any year exceeds amounts paid to the Consortium, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered claims losses shall revert to and be the sole obligation of the political subdivision against which the claim was made.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 14 - RISK MANAGEMENT – (Continued)

C. Workers' Compensation

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The Village's contribution rate for pension benefits for 2004 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7% 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, 2004, 2003, and 2002 were \$356,444, \$151,836, and \$277,959, respectively; 72.19% has been contributed for 2004 and 100% has been contributed for 2003 and 2002. \$99,134 representing the unpaid contribution for 2004, is recorded as a liability in the respective funds.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the Village is required to contribute 19.50% for police officers and 24.0% for firefighters. The Village's contribution to OP&F for 2004, 2003, and 2002 was \$264,172, \$137,844 and \$194,843, respectively; 78.94% has been contributed for 2004 and 100% for 2003 and 2002. \$55,628, representing the unpaid contributions for 2004, is recorded as a liability within the respective funds.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1.00% and 6.00% annually for the next eight years and 4.00% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$105,223. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

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

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

The Village's actual contributions for 2004 that were used to fund postemployment benefits was \$104,991 for police officers. The OP&F's total health care expense for the year ended December 31, 2004 was \$102.173 million, which was net of member contributions of \$55.665 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the Village is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented for the General Fund and the Street Maintenance and Repair Fund and is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

Net Change in Fund Balance

	<u>General</u>	<u>Street Maintenance and Repairs</u>
Budget basis	\$(2,113,945)	\$ (271,618)
Net adjustment for revenue accruals	114,184	661
Net adjustment for expenditure accruals	(495,470)	(24,678)
Adjustment for encumbrances	<u>193,688</u>	<u>6,539</u>
GAAP basis	<u>\$(2,301,543)</u>	<u>\$ (289,096)</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - CONTINGENCIES

A. Grants

The Village receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Village at December 31, 2004.

B. Litigation

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

NOTE 19 – SUBSEQUENT EVENTS

On January 18, 2005 the Village issued Bond Anticipation Notes (BAN's) for \$4,900,000 for the purchase of a golf course and the construction of certain public infrastructure improvements. On December 31, 2005 the BAN's were re-financed for a new term for the amount of \$4,900,000.

On January 19, 2005 the Village purchased a pre-existing golf course to become a public course of the Village for \$2,794,241.

NOTE 20 – MANAGEMENT PLAN

The administration and finance office have worked past the issues that affected 2004. This included large projects that carried over from 2003, such as the Recreation Center, Aquatic Center, Groveport Park, Cruiser Park. Retainage from 2003 had to be paid in 2004. Projects started in 2003 carried forward to 2004 without appropriations. Change orders done in 2003 affected the budget of 2004. PERS and OP&FP payments from 2003 carried to 2004 including penalties.

We changed and upgraded our systems for more efficient operations. We changed to CMI for budgetary, payroll, court and police department software. They are all integrated. Payroll taken in house saves the village \$18,000 per year.

We have established target carryover fund balances for the General Fund (20%) Street Fund (10%) Water Fund (20%) Sewer fund (20%) Building Fund (20%). This will insure that negative fund balances will not occur. It will also establish the ability to weather a downturn in the economy. We currently have a rainy day fund that has \$900,000 balance. This should only come in to play at very severe situations.

Travel policies and vehicle use policies are being established, we have policies governing the use of credit cards and cell phones. Our credit card policy is quite restrictive. It is housed in the finance department and must be checked out with a signature and a valid Purchase Order.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 20 – MANAGEMENT PLAN - (Continued)

We have a very strict purchasing policy and the guidelines are adhered to. Our CMI System monitors all purchases and will not let you exceed a line item amount. It will also not approve a purchase if the fund is nearing negative.

The village general fund balance at year end 2006 will be approximately \$1,000,000 this is nearing our 20% goal (1,720,000) which we should be able to reach by year end 2008. This is due to very conservative purchasing and working to maximize revenue. Maximizing revenue can be achieved in the areas that we have more control over, like recreation and golf revenue. We will have a 6% carryover in street, 8% in water, 9% in sewer, and 20% in building department. All are stable and growing to the amounts we need them to be.

We are working to provide all the stability needed to successfully manage the village within the guidelines established.

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We were engaged to audit the basic financial statements of Village of Groveport, Franklin County, Ohio, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 6, 2006, wherein we disclaimed an opinion due to a lack of sufficient evidential matter as of and for the year ended December 31, 2004.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-008 through 2004-010.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable conditions 2004-008 and 2004-009 listed above to be material weaknesses. In a separate letter to the Village's management dated September 6, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-007. In a separate letter to the Village's management dated September 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 6, 2006

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

Finding Number	2004-001
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Severance Payout – Finding for Recovery Repaid Under Audit

During termination payout calculation procedures associated with the leave payout of employee Diane Harper an accounting error was made by the Village as to the number of leave hours accrued by Ms. Harper. As a result of this error, Ms. Harper was overpaid \$501 on her leave payout on February 18, 2004.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended would have been issued against Diane Harper, former Village employee, and Ken Salak, Finance Director, jointly and severally in the amount of five hundred and one dollars in favor of the Village of Groveport General Fund.

On September 19, 2006, \$501 was repaid by Ken Salak and posted to the Village’s General Fund.

Official’s Response:

Finding was paid by Kenneth A. Salak check number 5313 for \$501

Finding Number	2004-002
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Timely Deposits

Ohio Rev. Code Section 9.38 states that a public official other than a state officer, employee, or agent shall deposit all public moneys received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the moneys until the time of deposit.

Forty-six percent of park and recreation receipts tested were not deposited within the specified amount of time. Failure to deposit cash receipts in a timely manner increases the risk that cash could be stolen or lost without timely detection by management.

We recommend the Village deposit park and recreation receipts on a timely basis to help safeguard Village assets. We further recommend that the Village develop a policy to govern the deposit and safeguarding of the Village’s cash collections.

Official’s Response:

The recreation and pool deposits are daily now. In the past the safe was used. For larger deposits the police department transports the deposit to Huntington. It was found by us and was corrected mid year.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-003
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Bonding

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

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

Failure to maintain adequate bonding for fiscal employees may place the Village at risk if assets are misused or stolen.

We recommend the Village Council set the sum of the bonds to be obtained for the Finance Director and employees involved in fiscal duties on behalf of the Village. The Village should then obtain bonding for amounts authorized by Council for designated individuals.

Official's Response:

We are reviewing the bonding requirements. It has come to our attention through our insurer and other insuring agencies that individual bonds may not be the most advantageous way to handle money handling insurance. Groveport has never had individual bonds on our employees and it has never been an issue. We currently have and have always had public official's liability coverage.

Finding Number	2004-004
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Negative Fund Balances

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

At December 31, 2004 the Village had negative fund balances as follows.

<u>Fund</u>	<u>Deficit</u>
General	\$ 2,092,405
Debt service	499,091
Tree fund	44,608

The Village should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Council should approve transfer or advances in accordance with Ohio Rev. Code Section 5705.14-16 to cover the expenditure.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-004 (Continued)
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Negative Fund Balances (Continued)

Official's Response:

Fund balances are monitored. Occurrences in 2003 that carried over into 2004 caused the negative position. The retainage amounts (\$500,000) from the construction of the recreation center, that should have been paid and escrowed in 2003, were actually expensed in 2004. ODOD grants issued in 2002/2003 were expensed then. The grants totaled \$835,000 paid by the Village of Groveport in 2002/2003/2004. The funds were not issued back to the Village by ODOD until 2005. The second half of 2003 PERS and OP&FPF were not expensed until 2004. The former finance officer did not pay 2003 retirement funds on time.

Finding Number	2004-005
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Appropriations Exceeding Estimated Resources

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

The following funds had appropriations in excess of estimated resources at December 31, 2004:

<u>Fund</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
General	\$ 6,964,716	\$ 6,069,705	\$ 895,011
Capital Improvement	3,500,000	3,450,000	50,000
Water Fund	738,911	631,000	107,911
Park Fund	70,000	40,000	70,000
Drug Education and Enf.	2,000	1,200	800
Tree Fund	65,000	45,000	20,000

This resulted in the Village expending more money than it received and caused negative fund balances in some funds. A lack of funds may result in the Village being unable to meet its current obligations.

We recommend the Village ensure that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

Official's Response:

Estimated revenue and Appropriations are reviewed. This was not the basis for spending over the estimated resources. It was projects in the works initially at the start of 2004, carried over from 2003 that caused this occurrence. It was anticipated that future revenues would be substantial and would cover the purchases and construction.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

Finding Number	2004-006
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Certification of Funds

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

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

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

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

2. Blanket certificate – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account not extending beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 24% of the expenditure transactions tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

Finding Number

2004-006 (Continued)

Certification of Funds (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village Finance Director should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

Official's Response:

The certification of funds available is on our purchase order. The PO was processed under the old SSI system and signed by the Finance Director, and Administrator. This certified funds available and approval to purchase by the administrator. We currently do not issue paper copies of PO's unless specifically requested. The PO is put into the new system by the purchasing department, the finance officer clicks approval of funds availability, and the Administrator clicks approval of the purchase, and then a PO number is assigned. The CMI system does not allow approval if the department lacks the available funds. Posting to the appropriation code occurs at the time of the PO number issuance. This was similar in the SSI process only a hard copy of the PO was also printed.

Finding Number

2004-007

Supporting Documentation / Record Retention

Ohio Rev. Code Section 149.351(A) requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42.

The Village failed to maintain supporting documentation (i.e. invoices) for \$90,516 of disbursements. Furthermore, the Village failed to maintain source documentation on numerous receipts which were processed by subsidiary departments within the Village. Additionally, a record retention policy should be adopted to outline the records that need to be maintained and the time period for which each must be kept.

Failure to maintain adequate supporting documentation for the requisite period of time results in unsupported and unsubstantiated transactions and an ability for errors or irregularities to occur and go undetected by management.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

2004-007 (Continued)

Supporting Documentation / Record Retention (Continued)

We recommend the Village maintain supporting documentation which includes all invoices, receipts, deposit tickets, and any other relevant supporting documentation for all expenditure and receipt transactions to ensure proper accountability of all Village funds. We further recommend the Village Council establish a record retention policy.

Official's Response:

We maintain all documents associated with contracts and major projects. The \$90,516 was part of a major street project and was originally kept with all documents pertaining to said project. All invoices, change orders, and cancelled checks were kept together. We do and will make every effort to keep these documents together. They are taken apart at time of audit.

Finding Number

2004-008

Ledger Posting

All financial transactions of the Village should be timely and accurately posted to the Village's accounting ledgers.

The Village accounting ledgers accumulated \$3.8 million in posting errors, including incorrect fund postings, unposted transactions, double postings, and postings of incorrect amounts for receipts and disbursements. Within these errors, \$790,000 of receipts were not posted to the general ledger due to originally being entered into a subsidiary receipt system with a deficiency or error which resulted in the transaction not being updated on the general ledger. Additionally, within these errors, \$1.58 million of manual checks were issued that were not recorded on the general ledger to reflect the disbursement of funds.

Failure to post transactions, in addition to significant posting errors, has lead to a disclaimer of opinion on the Village's year end financial statements, inaccurate reports provided to management and the Village Council for financial monitoring, and possible errors or irregularities to occur and go undetected by management.

We recommend the Village review all postings to supporting documentation such as invoices, pay-ins, and duplicate deposit tickets following entry in the system. We further recommend that the Village issue system generated disbursements to minimize the chance of items being unposted or posted in inaccurate amounts. Timely and accurate reconciliation of all bank accounts and book balances should be performed at month end to identify any errors or discrepancies in postings made during the month.

Official's Response:

Ledger posting was a major problem, as also denoted in response to finding 2004-009, and is the reason we explored and purchased new software. The new system has alleviated any of our old problems. We keep all backup documentation with pay ins and all documentation with checks issued. I believe all items had back up to them or with the contract items. We keep all supporting documentation.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

Finding Number	2004-009
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Reconciliation of Bank to Book Balances

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. Reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances.

The Village failed to perform accurate or timely reconciliations throughout the fiscal year. Reconciliations performed denoted that the bank to book balances were reconciled; however, the reconciliations failed to include complete bank accounts and reconciling items, including outstanding checks and deposits in transit. In addition, \$3.8 million in posting errors, including incorrect fund postings, unposted transactions, double postings, and postings of incorrect amounts for receipts and disbursements were not identified on the reconciliations.

Unreconciled bank to book balances has lead to a disclaimer of opinion on the Village's financial statements, a deficit fund balance in the general fund at year end, and inaccurate financial reports being provided to Council to aid in management decisions. In addition, unreconciled balances could lead to errors or irregularities to occur and go undetected by management.

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

Official's Response:

We experienced numerous system problems which prompted us to investigate and install new financial software. When we worked with SSI to resolve the problems we found revenue dating back to 1998 when the software was installed that had not posted to budgetary. It was very difficult to work with that software and get accurate numbers. We were able to account for all physical deposits made and all checks cut through the system. Revenues were not accurately posting or posting at all and hand checks were not posting as needed. We could however account for clearing our accounts. The new system has been functioning and all items post well to the system.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

Finding Number	2004-010
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Purchasing Authorization

The Village established internal control procedures whereby the Finance Director and Village Administrator are to approve all purchase orders for vouchered disbursements prior to the ordering of the good or service. Additionally, the Village employee entering into the disbursement with the approved purchase order are to document that goods were received or services were rendered via signature on the invoice prior to the Village remitting payment to vendors.

For 13% of the purchase orders tested authorization and approval of the purchase by the Village Administrator was not documented. Additionally, 37% of those invoices were paid but there was no signature by the Village employee indicating the goods were received or services were rendered.

Proper authorization of purchases is essential to help determine allowability, proper public purpose, and availability of funds for Village expenditures. Failure to receive proper documentation from the employee entering into disbursements may result in payment for goods that were not received or services that were not rendered in the amounts, quantities, or prices charged.

We recommend the Village ensure all purchase orders are approved by the Finance Director and Village Administrator via signature prior to issuing the purchase order to Village employees for use. Furthermore, we recommend the Village ensure that a copy of the invoice is approved by the employee who entered into the purchase prior to making any payment.

Official's Response:

All PO's are electronically signed. We do not print all PO's now. There would be no signature on any of our utility bills. We do not pay any departmental invoice without the department heads signature. We do now and have in the past send invoices back to department heads for signatures.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-VOG-001	Appropriations in excess of estimated resources.	No	Not Corrected – Reissued as 2004-005
2003-VOG-002	Expenditures in excess of appropriations	No	Partially Corrected – Reissued in Management Letter
2003-VOG-003	Negative fund balances	No	Not Corrected – Reissued as 2004-004
2003-VOG-004	Lack of supporting documentation for checks written	No	Not Corrected – Reissued as 2004-007
2003-VOG-005	Improper and untimely posting of receipts and disbursements	No	Not Corrected – Reissued as 2004-008



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VILLAGE OF GROVEPORT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2006**