

Mary Taylor, CPA
Auditor of State

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Groveport, Franklin County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Groveport, Franklin County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended December 31, 2007, the Village changed its accounting basis from accounting principles generally accepted in the United States of America to the cash accounting basis. The Village has revised its financial presentation comparable to the requirements of Governmental Accounting Standard No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 13, 2009

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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, 2007, within the limitations of the Village's modified cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net cash assets of the Village increased \$1,176,384. Net cash assets of governmental activities increased \$976,697, which represents a 31.96% increase from fiscal year 2006. Net cash assets of business-type activities increased \$199,687 or 13.08% from fiscal year 2006.
- General cash receipts accounted for \$15,287,599 or 82.70% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,197,082 or 17.30% of total governmental activities cash receipts.
- The Village had \$17,507,984 in cash disbursements related to governmental activities; \$3,197,082 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$15,287,599 were adequate to provide for these programs.
- The Village's largest major governmental fund is the general fund. The general fund had cash receipts of \$10,949,025 in 2007. The cash disbursements of the general fund, totaled \$9,736,601 in 2007. The general fund's cash balance increased \$1,212,424 from 2006 to 2007.
- The debt service fund had cash receipts and other financing receipts of \$6,792,483 in 2007. The debt service fund had cash disbursements of \$6,495,734 in 2007. The debt service fund cash balance increased \$296,749 from 2006 to 2007.
- The capital improvement fund had cash receipts of \$56,991 in 2007. The capital improvement fund had cash disbursements of \$790,977 in 2007. The capital improvement fund cash balance decreased \$733,986 from 2006 to 2007.
- The Villages major business-type activities funds are the water and sewer fund. Net cash assets of business-type activities increased \$199,687 or 13.08% from fiscal year 2006.

Using this Basic Financial Statements (BFS)

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

The statement of net assets – cash basis and statement of activities – cash basis provide information about the activities of the whole Village, presenting an aggregate view of the Village's cash basis 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. In the case of the Village, there are three major governmental funds.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets – cash basis and statement of activities – cash basis answer the question, “How did we do financially during 2007?” These statements include *only net assets* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the Village’s net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Village as a whole, the cash basis 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, income tax receipts, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets – cash basis and statement of activities – cash basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village’s programs and services are reported here including security of person and property, public health services, leisure time activities, transportation and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village’s water and sewer enterprise funds are reported as business activities

The statement of net assets – cash basis and statement of activities – cash basis can be found on pages 13-15 of this report.

Reporting the Village’s Most Significant Funds

Fund Financial Statements

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

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 16-17 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statement can be found on page 18 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its water and sewer operations. The enterprise fund statements can be found on pages 19-20 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund type is agency funds. Only the cash held at year end for the agency funds are reported. There was a \$54,106 cash balance in the agency funds at year-end.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-41 of this report.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Government-Wide Financial Analysis

Recall that the statement of net assets – cash basis provides the perspective of the Village as a whole.

The table below provides a summary of the Village's net cash assets for 2007.

	Net Cash Assets					
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 4,032,893	\$ 1,725,866	\$ 3,056,196	\$ 1,526,179	\$ 5,758,759	\$ 4,582,375
Total assets	<u>4,032,893</u>	<u>1,725,866</u>	<u>3,056,196</u>	<u>1,526,179</u>	<u>5,758,759</u>	<u>4,582,375</u>
Net cash assets						
Restricted	2,457,509	-	2,828,176	-	2,457,509	2,828,176
Unrestricted	<u>1,575,384</u>	<u>1,725,866</u>	<u>228,020</u>	<u>1,526,179</u>	<u>3,301,250</u>	<u>1,754,199</u>
Total net cash assets	<u>\$ 4,032,893</u>	<u>\$ 1,725,866</u>	<u>\$ 3,056,196</u>	<u>\$ 1,526,179</u>	<u>\$ 5,758,759</u>	<u>\$ 4,582,375</u>

The total net cash assets of the Village increased \$1,176,384. Net cash assets of governmental activities increased \$976,697, which represents a 31.96% increase from fiscal year 2006. Net cash assets of business-type activities increased \$199,687 or 13.08% from fiscal year 2006.

The balance of government-wide unrestricted net cash assets of \$3,301,250 may be used to meet the government's ongoing obligations to citizens and creditors.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

	Change in Net Cash Assets					
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2007	2006	2007	2006	2007	2006
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 2,580,932	\$ 2,593,276	\$ 1,096,735	\$ 1,133,917	\$ 3,677,667	\$ 3,727,193
Operating grants and contributions	582,150	530,994	-	-	582,150	530,994
Capital grants and contributions	34,000	29,600	-	-	34,000	29,600
Total program cash receipts	<u>3,197,082</u>	<u>3,153,870</u>	<u>1,096,735</u>	<u>1,133,917</u>	<u>4,293,817</u>	<u>4,287,787</u>
General cash receipts:						
Property and other taxes	310,219	275,716	-	-	310,219	275,716
Income tax	9,382,087	8,780,537	-	-	9,382,087	8,780,537
Unrestricted grants	318,352	427,480	-	-	318,352	427,480
Sale of notes	4,900,000	4,900,000	600,000	-	5,500,000	4,900,000
Loan issue	-	204,864	-	-	-	204,864
Premium on note issue	36,260	-	2,484	-	38,744	-
Investment earnings	251,888	136,947	-	-	251,888	136,947
Other	88,793	85,557	-	-	88,793	85,557
Total general cash receipts	<u>15,287,599</u>	<u>14,811,101</u>	<u>602,484</u>	<u>-</u>	<u>15,890,083</u>	<u>14,811,101</u>
Total cash receipts	<u>18,484,681</u>	<u>17,964,971</u>	<u>1,699,219</u>	<u>1,133,917</u>	<u>20,183,900</u>	<u>19,098,888</u>
Cash Disbursements:						
Current:						
Security of persons and property	2,097,850	1,895,478	-	-	2,097,850	1,895,478
Public health services	32,145	208,173	-	-	32,145	208,173
Leisure time activities	3,677,553	3,492,491	-	-	3,677,553	3,492,491
Community environment	441,479	553,766	-	-	441,479	553,766
Transportation	897,868	789,189	-	-	897,868	789,189
General government	2,790,725	2,321,932	-	-	2,790,725	2,321,932
Capital outlay	790,977	399,648	-	-	790,977	399,648
Economic development	201,702	213,511	-	-	201,702	213,511
Debt service:						
Principal retirement	5,715,270	5,628,350	-	-	5,715,270	5,628,350
Interest and fiscal charges	862,415	770,476	-	-	862,415	770,476
Water	-	-	785,913	427,835	785,913	427,835
Sewer	-	-	713,619	857,208	713,619	857,208
Total cash disbursements	<u>17,507,984</u>	<u>16,273,014</u>	<u>1,499,532</u>	<u>1,285,043</u>	<u>19,007,516</u>	<u>17,558,057</u>
Change in net cash assets	976,697	1,691,957	199,687	(151,126)	1,176,384	1,540,831
Net cash assets at beginning of year (Restated)	<u>3,056,196</u>	<u>1,364,239</u>	<u>1,526,179</u>	<u>1,677,305</u>	<u>4,582,375</u>	<u>3,041,544</u>
Net cash assets at end of year	<u>\$ 4,032,893</u>	<u>\$ 3,056,196</u>	<u>\$ 1,725,866</u>	<u>\$ 1,526,179</u>	<u>\$ 5,758,759</u>	<u>\$ 4,582,375</u>

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

Governmental Activities

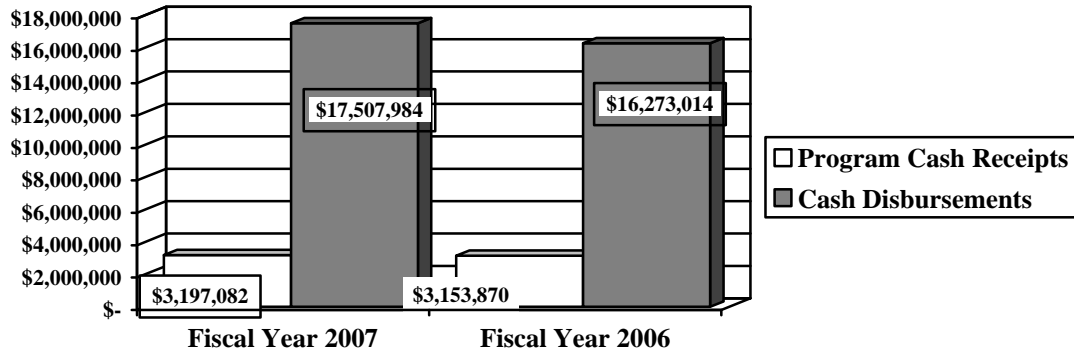
Governmental cash assets increased by \$976,697 in 2007 from 2006. This is primarily due to an increase in income tax revenues which increased \$601,550 from 2006 as a result of expanding commercial development within the Village.

General government represents activities related to the governing body as well as activities that directly support Village programs. In 2007, leisure time activities disbursements totaled \$3,677,553, or 21.00% of total governmental cash disbursements. Leisure time activities programs were supported by \$2,146,073 in direct charges to users for services.

The Village program, security of person and property, accounted for \$2,097,850 or 11.98% of total governmental cash disbursements. General government programs totaled \$2,790,725 or 15.94% of total cash disbursements. These service programs are primarily supported by user fees, and state and federal grants. The Village program, transportation, accounted for \$897,868 or 5.13% of total governmental cash disbursements. The transportation service programs are primarily supported by operating grants and contributions totaling \$562,400.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 compared to 2006. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

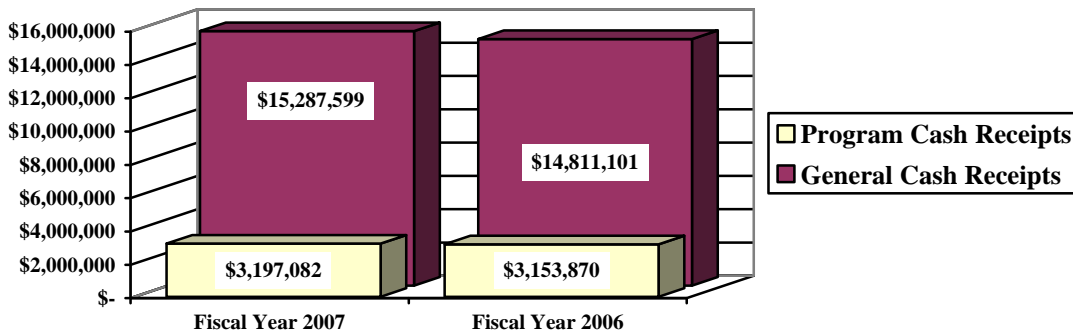
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Governmental Activities

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Cash disbursements:				
Current:				
Security of persons and property	\$ 2,097,850	\$ 2,050,488	\$ 1,895,478	\$ 1,853,160
Public health services	32,145	20,139	208,173	142,968
Leisure time activities	3,677,553	1,531,480	3,492,491	1,734,684
Community environment	441,479	101,847	553,766	112,603
Transportation	897,868	335,468	789,189	81,300
General government	2,790,725	2,735,116	2,321,932	2,210,169
Capital outlay	790,977	756,977	399,648	371,923
Economic development	201,702	201,702	213,511	213,511
Debt service:				
Principal retirement	5,715,270	5,715,270	5,628,350	5,628,350
Interest and fiscal charges	862,415	862,415	770,476	770,476
Total	<u>\$ 17,507,984</u>	<u>\$ 14,310,902</u>	<u>\$ 16,273,014</u>	<u>\$ 13,119,144</u>

The dependence upon general cash receipts for governmental activities is apparent; with 81.74% of cash disbursements supported through taxes and other general cash receipts during 2007.

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The water and sewer funds are the Village's major enterprise funds. The water fund had cash receipts of \$391,741, cash disbursements of \$785,913, and non operating receipts/(disbursements) of \$600,319 for fiscal year 2007, while the sewer fund had cash receipts of \$704,994 and cash disbursements of \$713,619. The net cash assets of the water fund increased \$208,312 or 67.70% from 2006 as a result of the water improvement bonds issued. The net cash assets of the sewer fund decreased \$8,625 or .71% due to the higher delinquent customer accounts, which in turn results in lower charges for services revenues.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Financial Analysis of the Village's Funds

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

Governmental Funds

The Village's governmental funds are accounted for using the modified cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$4,032,893, which is \$976,697 above last year's total of \$3,056,196. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2007 and December 31, 2006, for all major and non-major governmental funds.

	Fund Cash Balance <u>December 31, 2007</u>	Fund Cash Balance (Deficit) <u>December 31, 2006</u>	Increase (Decrease)
Major Funds:			
General	\$ 1,733,362	\$ 520,938	\$ 1,212,424
Debt Service	-	(296,749)	296,749
Capital Improvements	1,581,568	2,315,554	(733,986)
Other Nonmajor Governmental Funds	<u>717,963</u>	<u>516,453</u>	<u>201,510</u>
Total	<u>\$ 4,032,893</u>	<u>\$ 3,056,196</u>	<u>\$ 976,697</u>

General Fund

The general fund, the Village's largest major fund, had cash receipts of \$10,949,025 in 2007. The cash disbursements of the general fund, totaled \$9,736,601 in 2007. The general fund's cash balance increased \$1,212,424 from 2006 to 2007.

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

	2007 Amount	2006 Amount	Percentage Change
<u>Cash Receipts:</u>			
Income tax	\$ 7,502,873	\$ 7,012,332	7.00 %
Property and other taxes	310,219	275,716	12.51 %
Intergovernmental	318,352	427,480	(25.53) %
Charges for services	2,110,878	2,057,692	2.58 %
Fines, licenses and permits	375,905	458,300	(17.98) %
Investment income	242,005	136,947	76.71 %
Other	<u>88,793</u>	<u>85,414</u>	3.96 %
Total	<u>\$ 10,949,025</u>	<u>\$ 10,453,881</u>	4.74 %

Investment income increased 76.71% due to higher interest rates during the year and higher investable fund balances. Income tax revenue increased 7.00% due to expanding commercial development in the Village. Property and other taxes revenue increased 12.51% due to an increase in real estate taxes as a result of new development within the Village. Intergovernmental revenues decreased 25.53% as a result of a decrease in estate tax revenue from 2006 to 2007.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

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

	2007 Amount	2006 Amount	Percentage Change
<u>Cash Disbursements</u>			
Security of persons and property	\$ 2,075,824	\$ 1,895,256	9.53 %
Public health service	32,145	192,093	(83.27) %
Leisure time activity	3,655,035	3,492,491	4.65 %
Community environment	416,344	504,796	(17.52) %
Transportation	485,035	106,976	353.41 %
General government	2,788,565	2,317,498	20.33 %
Economic development	201,702	213,511	(5.53) %
Principal Retirement	72,193	-	100.00 %
Interest and Fiscal Charges	9,758	-	100.00 %
 Total	 <u>\$ 9,736,601</u>	 <u>\$ 8,722,621</u>	 11.62 %

Leisure time activity disbursements continued to increase as a result of the operation of the Villages Recreation and Aquatic Center. Transportation disbursements increased due to a reallocation of employee payroll expenditures, while the general government disbursements also increased primarily due to a reallocation of payroll expenditures.

Debt Service Fund

The debt service fund had cash receipts and other financing receipts of \$6,792,483 in 2007. The debt service fund had cash disbursements of \$6,495,734 in 2007. The debt service fund cash balance increased \$296,749 from 2006 to 2007 as a result of increased income tax revenue receipts due to increased commercial development in the Village.

Capital Improvement Fund

The capital improvement fund had cash receipts of \$56,991 in 2007. The capital improvement fund had cash disbursements of \$790,977 in 2007. The capital improvement fund cash balance decreased \$733,986 from 2006 to 2007 due to an increase in capital outlay expenditures as a result of new construction contracts.

Budgeting Highlights - General Fund

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

General fund original budgeted revenues were \$10,370,535. Actual revenues for fiscal year 2007 were \$10,949,025. This represents a \$578,490 increase over final budgeted revenues.

General fund original appropriations were \$10,355,526 and final appropriations were \$10,504,257. The actual budget basis expenditures for fiscal year 2007 totaled \$9,823,076, which is lower than the final budget appropriations by \$681,181.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$1,284,541 during fiscal year 2007.

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2007 and 2006:

	2007	2006
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Income tax revenue bonds	\$ 13,385,000	\$ 14,035,000
Notes payable	4,900,000	4,900,000
OPWC loans	1,099,842	1,099,842
Capital lease payable	<u>817,145</u>	<u>696,440</u>
Total long-term obligations	<u>\$ 20,201,987</u>	<u>\$ 20,731,282</u>
	<u>Business-Type Activities</u>	<u>Business-Type Activities</u>
Water system improvement note	<u>600,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 600,000</u>	<u>\$ -</u>

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.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 4,032,893	\$ 1,725,866	\$ 5,758,759
 Total assets.	 4,032,893	 1,725,866	 5,758,759
 Net cash assets:			
Restricted for:			
Capital projects.	1,581,568	-	1,581,568
Street construction	181,726	-	181,726
State highway	227,907	-	227,907
Parks and recreation	336,147	-	336,147
Security of persons and property	18,498	-	18,498
Other purposes	111,663	-	111,663
Unrestricted	1,575,384	1,725,866	3,301,250
 Total net cash assets	 \$ 4,032,893	 \$ 1,725,866	 \$ 5,758,759

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Current:				
Security of persons and property	\$ 2,097,850	\$ 47,362	\$ -	\$ -
Public health services	32,145	12,006	-	-
Leisure time activities	3,677,553	2,146,073	-	-
Community environment	441,479	319,882	19,750	-
Transportation.	897,868	-	562,400	-
General government.	2,790,725	55,609	-	-
Capital outlay	790,977	-	-	34,000
Economic development	201,702	-	-	-
Debt service:				
Principal retirement.	5,715,270	-	-	-
Interest and fiscal charges	862,415	-	-	-
Total governmental activities	<u>17,507,984</u>	<u>2,580,932</u>	<u>582,150</u>	<u>34,000</u>
Business-Type activities:				
Water	785,913	391,741	-	-
Sewer	713,619	704,994	-	-
Total business-type activities	<u>1,499,532</u>	<u>1,096,735</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 19,007,516</u>	<u>\$ 3,677,667</u>	<u>\$ 582,150</u>	<u>\$ 34,000</u>

General Cash Receipts:

Property and other taxes levied for:

General purposes	
Income taxes levied for:	
General purposes	
Debt services	
Capital Projects	
Grants and entitlements not restricted to specific programs.	
Sale of notes	
Premium on note issue.	
Investment receipts	
Miscellaneous	
Total general cash receipts.	
Change in net cash assets	
Net cash assets at beginning of year (Restated)	
Net cash assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (2,050,488)	\$ -	\$ (2,050,488)
(20,139)	-	(20,139)
(1,531,480)	-	(1,531,480)
(101,847)	-	(101,847)
(335,468)	-	(335,468)
(2,735,116)	-	(2,735,116)
(756,977)	-	(756,977)
(201,702)	-	(201,702)
(5,715,270)	-	(5,715,270)
(862,415)	-	(862,415)
<u>(14,310,902)</u>	<u>-</u>	<u>(14,310,902)</u>
-	(394,172)	(394,172)
-	(8,625)	(8,625)
-	(402,797)	(402,797)
<u>(14,310,902)</u>	<u>(402,797)</u>	<u>(14,713,699)</u>
310,219	-	310,219
7,502,873	-	7,502,873
1,856,223	-	1,856,223
22,991	-	22,991
318,352	-	318,352
4,900,000	600,000	5,500,000
36,260	2,484	38,744
251,888	-	251,888
88,793	-	88,793
<u>15,287,599</u>	<u>602,484</u>	<u>15,890,083</u>
976,697	199,687	1,176,384
3,056,196	1,526,179	4,582,375
<u>\$ 4,032,893</u>	<u>\$ 1,725,866</u>	<u>\$ 5,758,759</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF ASSETS AND CASH FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,733,362	\$ 1,581,568	\$ 717,963	\$ 4,032,893
Total assets	<u>\$ 1,733,362</u>	<u>\$ 1,581,568</u>	<u>\$ 717,963</u>	<u>\$ 4,032,893</u>
Fund cash balances:				
Reserved for encumbrances	\$ 86,475	\$ 255,791	\$ 42,291	\$ 384,557
Designated for budget stabilization	1,000,000	-	-	1,000,000
Designated for cemetery care	-	-	57,853	57,853
Unreserved, undesignated, reported in:				
General fund	646,887	-	-	646,887
Special revenue funds	-	-	617,819	617,819
Capital projects funds	-	1,325,777	-	1,325,777
Total fund cash balances	<u>\$ 1,733,362</u>	<u>\$ 1,581,568</u>	<u>\$ 717,963</u>	<u>\$ 4,032,893</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
Municipal income tax.	\$ 7,502,873	\$ 1,856,223	\$ 22,991	\$ -	\$ 9,382,087
Property and other taxes.	310,219	-	-	-	310,219
Intergovernmental.	318,352	-	34,000	582,150	934,502
Charges for services	2,110,878	-	-	84,700	2,195,578
Fines and forfeitures.	375,905	-	-	9,363	385,268
Interest income	242,005	-	-	9,883	251,888
Other.	88,793	-	-	86	88,879
Total cash receipts	<u>10,949,025</u>	<u>1,856,223</u>	<u>56,991</u>	<u>686,182</u>	<u>13,548,421</u>
Cash disbursements:					
Current:					
Security of persons and property	2,075,824	-	-	22,026	2,097,850
Public health services	32,145	-	-	-	32,145
Leisure time activities	3,655,035	-	-	22,518	3,677,553
Community environment.	416,344	-	-	25,135	441,479
Transportation	485,035	-	-	412,833	897,868
General government	2,788,565	-	-	2,160	2,790,725
Economic development	201,702	-	-	-	201,702
Capital outlay.	-	-	790,977	-	790,977
Debt service:					
Principal retirement	72,193	5,643,077	-	-	5,715,270
Interest and fiscal charges	9,758	852,657	-	-	862,415
Total cash disbursements	<u>9,736,601</u>	<u>6,495,734</u>	<u>790,977</u>	<u>484,672</u>	<u>17,507,984</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>1,212,424</u>	<u>(4,639,511)</u>	<u>(733,986)</u>	<u>201,510</u>	<u>(3,959,563)</u>
Other financing receipts:					
Note issuance.	-	4,900,000	-	-	4,900,000
Premium on note issue.	-	36,260	-	-	36,260
Total other financing receipts.	<u>-</u>	<u>4,936,260</u>	<u>-</u>	<u>-</u>	<u>4,936,260</u>
Net change in fund cash balances	1,212,424	296,749	(733,986)	201,510	976,697
Fund cash balances (deficit)					
at beginning of year (Restated)	520,938	(296,749)	2,315,554	516,453	3,056,196
Fund cash balances at end of year.	<u>\$ 1,733,362</u>	<u>\$ -</u>	<u>\$ 1,581,568</u>	<u>\$ 717,963</u>	<u>\$ 4,032,893</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Municipal income taxes	\$ 6,818,896	\$ 6,818,896	\$ 7,502,873	\$ 683,977
Property and other taxes	243,491	243,491	310,219	66,728
Intergovernmental	734,874	734,874	318,352	(416,522)
Charges for services	1,775,513	1,775,513	2,110,878	335,365
Fines and forfeitures	325,750	325,750	375,905	50,155
Interest income	21,819	21,819	242,005	220,186
Other	450,192	450,192	88,793	(361,399)
Total budgetary basis receipts	<u>10,370,535</u>	<u>10,370,535</u>	<u>10,949,025</u>	<u>578,490</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	2,142,904	2,170,635	2,080,277	90,358
Public health services	46,911	46,911	32,145	14,766
Leisure time activities	4,321,835	4,354,835	3,678,856	675,979
Community environment	481,152	481,152	422,049	59,103
Transportation	181,107	269,107	505,175	(236,068)
General government	2,908,437	2,908,437	2,820,780	87,657
Economic development	191,229	191,229	201,843	(10,614)
Debt service:				
Principal retirement	72,193	72,193	72,193	-
Interest and fiscal charges	9,758	9,758	9,758	-
Total budgetary basis disbursements	<u>10,355,526</u>	<u>10,504,257</u>	<u>9,823,076</u>	<u>681,181</u>
Net change in fund cash balance	15,009	(133,722)	1,125,949	1,259,671
Fund cash balance at beginning of year	418,417	418,417	418,417	-
Prior year encumbrances appropriated	102,521	102,521	102,521	-
Fund cash balance at end of year	<u>\$ 535,947</u>	<u>\$ 387,216</u>	<u>\$ 1,646,887</u>	<u>\$ 1,259,671</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF GROVEPORT
FRANKLIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007

	Enterprise Funds		
	Water	Sewer	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 515,874	\$ 1,209,992	\$ 1,725,866
Total assets	515,874	1,209,992	1,725,866
Net cash assets:			
Unrestricted.	515,874	1,209,992	1,725,866
Total net cash assets.	\$ 515,874	\$ 1,209,992	\$ 1,725,866

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN NET CASH ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise Funds		
	Water	Sewer	Total
Operating cash receipts:			
Charges for services	\$ 391,741	\$ 704,994	\$ 1,096,735
Total operating cash receipts	391,741	704,994	1,096,735
Operating cash disbursements:			
Personal services	257,594	31,075	288,669
Contractual services	16,964	650,915	667,879
Materials and supplies	26,508	20,747	47,255
Capital outlay	482,682	10,882	493,564
Total operating cash disbursements	783,748	713,619	1,497,367
Operating cash receipts under operating cash disbursements	(392,007)	(8,625)	(400,632)
Nonoperating cash receipts (disbursements):			
Note issuance	600,000	-	600,000
Premium on note issue	2,484	-	2,484
Note issuance cost	(2,165)	-	(2,165)
Total nonoperating cash receipts (disbursements)	600,319	-	600,319
Changes in net cash assets.	208,312	(8,625)	199,687
Net cash assets at beginning of year (Restated)	307,562	1,218,617	1,526,179
Net cash assets at end of year	\$ 515,874	\$ 1,209,992	\$ 1,725,866

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY CASH BASIS ASSETS AND NET CASH ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	Agency
Cash assets:	
Equity in pooled cash and cash equivalents	\$ 46,869
Cash in segregated accounts	7,237
	\$ 54,106
Total assets	\$ 54,106
 Net cash assets:	
Unrestricted.	\$ 54,106
	\$ 54,106
Total net cash assets	\$ 54,106

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, 2007**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

The Council members create and adopt the annual operating budget and approve expenditures of Village funds.

The Village's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The basic financial statements include 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 basic financial statements to be misleading or incomplete. Based upon the foregoing criteria, the Village has no component units, but is a member of two insurance purchasing pools which are described in Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The City 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 enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities or to its enterprise funds. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Village's accounting policies:

A. Basis of Presentation

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

A. Basis of Presentation (Continued)

Government-wide Financial Statements - The statement of net assets and statement of activities display information about the Village as a whole, except for fiduciary funds. These statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on a modified cash basis or draws from the general receipts of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. 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 fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the enterprise activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Village classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. 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.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

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

B. Fund Accounting (Continued)

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

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

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 - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. 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. 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 which accounts for the Village's Mayor's Court, escrow inspections, and the flexible spending account.

C. Basis of Accounting

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

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

D. Budgetary Process

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.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

D. Budgetary Process (Continued)

Contrary to ORC 5705.38 (C), 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 at 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 statement do not include January 1, 2007 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported on the budgetary statement reflect the amounts in the original and final certificate of estimated resources which the County Budget Commission derived from the Village's tax budget. The Village did not certify the beginning-year fund balances or any modifications to estimated receipts to the County Budget Commission for 2007; therefore, the original estimated receipts are the same as the final estimated receipts on the accompanying financial statement.

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 2007. These supplemental appropriations were legally enacted by Village Council. The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts, including all amendments and modifications.

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 cash basis 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.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

E. Cash and Cash Equivalents

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

During 2007, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, a repurchase agreement, money market mutual funds and nonnegotiable certificates of deposit.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

All of the Village's negotiable certificates of deposits matured during 2007. The federal agency securities and repurchase agreement is reported at cost. The money market mutual fund is the amount recorded by Fifth Third Securities at December 31, 2007.

The Village had invested funds in STAR Ohio during 2007. 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, 2007.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2007 amounted to \$242,005 of which \$26,621 was assigned from other Village funds.

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

F. Capital Assets

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village (See Note 2.C.).

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

I. Inventory and Prepaid Items

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

J. Operating Cash Receipts and Cash Disbursements

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 10 and 11, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

L. Fund Balance Reserves and Designations

The Village reserves any portion of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Designated fund balances represent amounts which the legislative body has approved plans restricting their use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances. Fund balance designations have been established for budget stabilization and cemetery care.

M. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

During 2007, the Village changed from reporting on a GAAP basis to the cash basis of accounting (see Note 2). The Village has also elected to present the cash basis financial statements in a GASB 34- like format. The fund balances for December 31, 2006 have been restated to account for this change in accounting principle, which effectively eliminated balance sheet accruals.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

For reporting in accordance with GASB 34-like statements, the Village is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column and all business-type activities in a single column.

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on fund balances/net assets at December 31, 2006:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Fund Balance at December 31, 2006	\$ (81,941)	\$ (54,892)	\$ 2,301,261	\$ 540,435	\$ 2,704,863
Change in Reporting Basis Adjustments	<u>602,879</u>	<u>(241,857)</u>	<u>14,293</u>	<u>(23,982)</u>	<u>351,333</u>
Fund Cash Balance at December 31, 2006	<u>\$ 520,938</u>	<u>\$ (296,749)</u>	<u>\$ 2,315,554</u>	<u>\$ 516,453</u>	<u>\$ 3,056,196</u>
Governmental Activities Net Cash Assets at December 31, 2006					<u>\$ 3,056,196</u>

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Net Assets at December 31, 2006	\$ 3,439,062	\$ 5,745,521	\$ 9,184,583
Change in Reporting Basis Adjustments	<u>(3,131,500)</u>	<u>(4,526,904)</u>	<u>(7,658,404)</u>
Net Cash Assets at December 31, 2006	<u>\$ 307,562</u>	<u>\$ 1,218,617</u>	<u>\$ 1,526,179</u>
Business-Type Activities Net Cash Assets at December 31, 2006			<u>\$ 1,526,179</u>

B. Compliance

i. The following funds had appropriations in excess of estimated resources for the year ended December 31, 2007 in noncompliance with Ohio Revised Code 5705.39:

	<u>Appropriation</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Major funds</u>			
Debt service	\$6,300,000	\$952,892	\$5,347,108
Water	3,635,130	440,840	3,194,290
<u>Nonmajor fund</u>			
Street maintenance and repair	813,000	170,598	642,402
Senior transportation	18,000	17,100	900
Escrow	200,000	96,463	103,537
Tree	50,000	35,004	14,996

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

ii. The following funds had actual receipts less than estimated receipts for the year ended December 31, 2007 in noncompliance with Ohio Revised Code 5705.36:

	<u>Estimated</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Deficit</u>
<u>Major funds</u>			
Capital improvement	\$ 1,300,000	\$ 34,000	\$ (1,266,000)
Sewer	820,000	704,994	(115,006)
<u>Nonmajor funds</u>			
Cemetery	1,500	86	(1,414)
Court Computer	100,000	6,050	(93,950)
Escrow	100,000	87,547	(12,453)
Tree	35,000	25,131	(9,869)

iii. The following funds/departments had expenditure in excess of appropriations for the year ended December 31, 2007 in noncompliance with Ohio Revised Code 5705.41(B):

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
<u>General Fund Departments</u>			
Real Estate Tax Collection	\$ 6,600	\$ 7,277	\$ (677)
Finance Department	263,532	279,556	(16,024)
Planning and Development	179,424	190,037	(10,613)
Public Service	237,500	453,428	(215,928)
Law Department	136,846	156,276	(19,430)
<u>Major fund</u>			
Debt service	6,300,000	6,495,734	(195,734)
<u>Nonmajor fund</u>			
COPS fast grant	-	15,513	(15,513)

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

v. CFR 240.15c-12 and the Village's debt covenants require the Village to provide a copy of their annual reports to each Nationally Recognized Municipal Securities Information Repository (NRMSIR) and State Information Depository (SID) on an annual basis. During 2007, the Village did not submit the annual financial report to the NRMSIR and/or the SID.

vi. The Village had a negative cash fund balance at year-end in the Tree Fund (non-major fund) for (\$157,978), indicating that revenue from other sources were used to pay obligations of the fund contrary to Ohio Revised Code Section 5705.10.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

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

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

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

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

A. Cash in Segregated Accounts

The Village has depository accounts outside of the Village treasury to account for Mayor's Court and the Village's flexible spending plan operations. The carrying amounts of these depository accounts at December 31, 2007 were \$4,060 and \$3,177, respectively. These depository accounts are included in "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all Village deposits was \$377,568. As of December 31, 2007, \$576,359 of the Village's bank balance of \$880,419 was exposed to custodial risk as discussed below, while \$304,060 was covered by the FDIC.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the Village's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

C. Investments

As of December 31, 2007, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 2,301,734	\$ 500,155	\$ 597,735	\$ -	\$ 400,314	\$ 803,530
FFCB	702,191	-	-	-	-	702,191
FHLMC	1,230,010	-	230,258	249,937	250,015	499,800
FNMA	740,229	-	-	-	240,074	500,155
STAR Ohio	57,853	57,853	-	-	-	-
Repurchase Agreement	396,043	396,043	-	-	-	-
	<u>\$ 5,428,060</u>	<u>\$ 954,051</u>	<u>\$ 827,993</u>	<u>\$ 249,937</u>	<u>\$ 890,403</u>	<u>\$ 2,505,676</u>

The weighted average maturity of investments is 1.71 years.

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

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

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

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

The following table includes the percentage of each investment type held by the Village at December 31, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 2,301,734	42.40
FFCB	702,191	12.94
FHLMC	1,230,010	22.66
FNMA	740,229	13.64
STAR Ohio	57,853	1.06
Repurchase Agreement	396,043	7.30
	<u>\$ 5,428,060</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and investments per footnote</u>	
Cash in Segregated Accounts	\$ 7,237
Carrying amount of deposits	377,568
Investments	<u>5,428,060</u>
Total	<u>\$ 5,812,865</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,032,893
Business-type activities	1,725,866
Agency fund	<u>54,106</u>
Total	<u>\$ 5,812,865</u>

NOTE 5- PROPERTY TAX

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 5- PROPERTY TAX (Continued)

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2007, 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 2007 were collected are as follows:

<u>Category</u>	<u>Assessed Value</u>
Residential	\$ 95,250,510
Agriculture	835,400
Commercial	14,638,820
Industrial	<u>51,080,510</u>
Total real estate	<u>161,805,240</u>
Public utility - real	13,610
Public utility - personal	<u>14,053,670</u>
Total public utility	<u>14,067,280</u>
Tangible personal property	<u>30,183,908</u>
Total	<u>\$ 206,056,428</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 6 - 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 for 2007 was \$9,382,087. Income tax revenue is allocated based on Ordinance 07-033 which states that funds shall be disbursed in the following order: a.) \$100,000 of the funds collected under this chapter shall be applied to the Rainy Day Fund. b.) 80 percent of the net available income tax receipts received annually may be used to defray general operating expenses of the Village and may be appropriated to the General Fund of the Village. Included in this amount shall be those sums necessary to defray all costs of collecting the taxes and the cost of administering and enforcing the provisions thereof. c.) The remaining 20 percent of the net available income tax receipts received annually shall be set aside in the Debt Retirement Fund thereby satisfying the Village's obligations associated with the financing of capital expenditures; the remaining receipts shall be applied to the Capital Improvement Fund and used for capital improvements for the Village including but not limited to the cost of acquisition, construction, repair and maintenance of streets and other permanent improvements; and the purchase of new equipment.

NOTE 7 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2007, the Village entered into a capital lease agreement with Textron for the purchase of golf carts and a capital lease agreement with National City for the purchase of a Ruff mower. In prior periods, the Village entered into capital lease agreements for the purchase of an air conditioning system, copiers, and golf and parks equipment. Each lease meets the criteria of a capital lease as set forth by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service and general fund expenditures in the fund financial statements. These expenditures are reported as function expenditures on the budgetary statements.

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, 2007.

<u>Year Ending December 31</u>	<u>Total</u>
2008	\$ 270,702
2009	252,276
2010	199,011
2011	199,011
2012	<u>1,049</u>
Total future minimum lease payments	922,049
Less: amount representing interest	<u>(104,904)</u>
Present value of future minimum lease payments	<u>\$ 817,145</u>

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 8 - DEBT OBLIGATIONS

A. Transactions for the year ended December 31, 2007 are summarized as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/07</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Income Tax Revenue Bonds	\$ 14,035,000	\$ -	\$ (650,000)	\$ 13,385,000	\$ 670,000
Notes Payable	4,900,000	4,900,000	(4,900,000)	4,900,000	4,900,000
OPWC Loan Payable - East Main Street	594,460	-	-	594,460	59,446
OPWC Loan Payable - Hamilton Road	300,518	-	-	300,518	30,052
OPWC Loan Payable - Bixby Road	204,864	-	-	204,864	-
Capital Lease Payable	<u>696,440</u>	<u>285,975</u>	<u>(165,270)</u>	<u>817,145</u>	<u>235,399</u>
Total Governmental Activities	<u>\$ 20,731,282</u>	<u>\$ 5,185,975</u>	<u>\$ (5,715,270)</u>	<u>\$ 20,201,987</u>	<u>\$ 5,894,897</u>

Income Tax Revenue Bonds: On October 1, 2002, the Village issued income tax revenue bonds for the purpose of constructing, furnishing and equipping a recreation center with related facilities, site improvements and to advance refund the 1996 general obligation capital facilities bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The Village used \$1,291,606 from the issuance to purchase securities which were placed in an irrevocable trust which will provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the applicable liabilities have been removed from the financial statements. The refunding resulted in an economic gain of \$142,988. The principal balance of the general obligation capital facilities refunded bonds at December 31, 2007 was \$540,000.

Land Acquisition and Improvement Notes: On January 17, 2007, the Village issued \$4,900,000 in notes, bearing an interest rate of 4.50%, for the purchase of a golf course and the construction of certain public infrastructure improvements. The notes mature on January 16, 2008. These notes were a rollover from the notes issued in the prior year.

OPWC Loans: The Village has three OPWC loans: one for the East Main Street improvement project; the second for the Hamilton Road Improvement project; and the third for the Bixby Road Improvement Project. All three loans have an interest rate of 0%.

All debt is expected to be paid from the debt service fund.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 8 - DEBT OBLIGATIONS - (Continued)

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

Year	Revenue Bonds		
	Principal	Interest	Total
2008	\$ 670,000	602,615	\$ 1,272,615
2009	685,000	583,855	1,268,855
2010	710,000	563,305	1,273,305
2011	730,000	540,585	1,270,585
2012	755,000	516,860	1,271,860
2013 - 2017	4,325,000	2,033,860	6,358,860
2018 - 2022	5,510,000	853,000	6,363,000
Total	<u>\$ 13,385,000</u>	<u>\$ 5,694,080</u>	<u>\$ 19,079,080</u>

Year	Land Acquisition and Improvement Notes			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 4,900,000	\$ 219,888	\$ 5,119,888	\$ 89,498	\$ -	\$ 89,498
2009	-	-	-	99,740	-	99,740
2010	-	-	-	109,984	-	109,984
2011	-	-	-	109,984	-	109,984
2012	-	-	-	109,984	-	109,984
2013-2017	-	-	-	549,923	-	549,923
2018-2022	-	-	-	30,729	-	30,729
Total	<u>\$ 4,900,000</u>	<u>\$ 219,888</u>	<u>\$ 5,119,888</u>	<u>\$ 1,099,842</u>	<u>\$ -</u>	<u>\$ 1,099,842</u>

B. During 2007, the following activity occurred in the business-type activities long-term obligations:

<u>Business-Type Activities</u>	Balance			Amounts	
	<u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07</u>	<u>Due in One Year</u>
Water System Improvement Note	\$ -	\$ 600,000	\$ -	\$ 600,000	\$600,000

Water System Improvement Notes: On July 31, 2007, the Village issued \$600,000 in notes, bearing an interest rate of 4.25%, for water line reconstruction and the construction of certain public infrastructure improvements. The notes mature on July 30, 2008.

C. Legal Debt Margin

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, 2007, the Village's total voted debt margin was \$15,036,082 and the unvoted debt margin was \$11,333,104.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 9 - 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 2007, the Village was part of the Ohio Municipal League Joint Self - Insurance Pool an insurance purchasing pool, for general liability, property, auto, crime, forgery, employee liability, public officers liability, and boiler and machinery insurance. The Village has transferred its risk of loss to the insurance carrier to the extent of the limits shown below.

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
<u>Property</u>		\$1,000
	\$17,507,751	
<u>General Liability:</u>		
Per occurrence	\$1,000	\$3,000,000
Annual aggregate	1,000	3,000,000
<u>Inland Marine:</u>		
Accounts Receivable	\$1,000	\$250,000
Contractors Equipment	500	634,596
Police Equipment	500	112,836
EDP	500	191,000
<u>Vehicles</u> :		
Comprehensive	\$1,000	\$3,000,000
Collision	1,000	3,000,000
<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 2007, the Village was insured through Commercial Health insurance coverage with Anthem. The Village employees pay 10% contributions of their health insurance premiums.

C. Workers' Compensation

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

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 10 – 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 Pension 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 vested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension 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 Pension and the 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The Village's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the Village's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. In addition to the Village's required contribution, the Village elects to pay 3.0% of the employee's share. The Ohio Revised Code provides statutory authority for member and employer contributions. The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005 were \$500,359, \$547,923 and, \$700,356 respectively; these contributions were sufficient to fulfill the requirements.

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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 10 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.5% for police officers. The Village has no firefighters. In addition to the Village's required contribution, the Village elects to pay 3.0% of the employee's share. The portion of the Village's contributions to fund pension obligations was 12.75% for police officers. The Village's required contributions for pension obligations to OP&F for the fiscal years ended December 31, 2007, 2006 and 2005 were \$206,464, \$243,904, and \$318,608, respectively; these contributions were sufficient to fulfill the requirements.

NOTE 11 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension 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 post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

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

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979 as of December 31, 2007. The Village's actual employer contributions for 2007 which were used to fund post-employment benefits were \$500,359. The actual contribution and the actuarially required contribution amounts are the same.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - POSTRETIREMENT BENEFIT PLANS (Continued)

A. Ohio Public Employees Retirement System (Continued)

OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-employment 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 OP&F is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the OP&F'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 6.75% of covered payroll was applied to the post-employment health care program during 2007. 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 2007 that were used to fund post-employment benefits was \$204,464. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police officers and 10,536 for firefighters.

NOTE 12 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At December 31, 2007, the encumbrances outstanding at year end (budgetary basis) amounted to \$86,475 in the general fund.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 13 - CONTINGENCIES

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 14 - SUBSEQUENT EVENTS

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

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

On January 15, 2009, the Village refinanced the Land Acquisition and Improvement Note for \$4,500,000 bearing an interest rate of 5.50% and maturing on January 14, 2010.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Groveport, Franklin County, (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 13, 2009, wherein we noted the Village changed from accounting principles generally accepted in the United States of America to the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-001 through 2007-003 and 2007-010 through 2007-016 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2007-001, 2007-002, and 2007-010 through 2007-014 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated February 13, 2009.

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 2007-001 through 2007-009.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 13, 2009.

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

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



Mary Taylor, CPA
Auditor of State

February 13, 2009

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007

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

Finding Number	2007-001
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Income Tax Allocation and Posting – Material Weakness/Significant Deficiency/Noncompliance Finding

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

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

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

However, the 2007 income tax receipts were not allocated in accordance with the retroactive ordinance approved in July 2007. Income tax receipts were posted to incorrect funds and to incorrect account codes within funds. Additionally, income tax collection fees and income tax revenue sharing payments were posted to the accounting system as negative income tax revenues (revenue reversals) rather than as expenditures. This resulted in the following audit adjustments that have been posted to the financial statements (see Finding 2007-013):

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-001 (Continued)
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Income Tax Allocation and Posting – Material Weakness/Significant Deficiency/Noncompliance Finding - (Continued)

Fund	Account	Revenue Audit Adjustments	Expenditure Audit Adjustments	Net Effect on Fund Balance
General Fund - Income Taxes		\$1,098,896		
General Fund - Intergovernmental		(25,918)		
General Fund - Investment Income		21,819		
General Fund - General Government			1,042,298	
Total General Fund		1,094,797	1,042,298	52,499
Debt Service Fund - Income Taxes		(27,368)		(27,368)
Tree Fund - Intergovernmental		(25,131)		(25,131)
Grand Total		\$1,042,298	\$1,042,298	\$0

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

Officials' Response: Addressed with adjustment in 2007 and changed in 2008.

Finding Number	2007-002
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Use of Revenues and Negative Fund Balances – Material Weakness/Significant Deficiency/Noncompliance Finding

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

During 2007, the Village posted revenues to incorrect funds, as follows:

- Water surcharge receipts for \$2,047 posted in the Water Capital Fund that should have been posted in the Water Operating Fund.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-002 (Continued)
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Use of Revenues and Negative Fund Balances – Material Weakness/Significant Deficiency/Noncompliance Finding (Continued)

Further, income tax revenue and investment income were posted to incorrect funds (see findings 2007-001 and 2007-003 for further details). Surcharge, income tax, and investment income revenue mispostings all resulted in audit adjustments, which are reflected in the accompanying basic financial statements and the Village's accounting records.

Additionally, the Village had the following negative fund balances at December 31, 2007:

Fund #	Fund Name	December 31, 2007 Fund Balance
502	Sanitary Sewer Operating Fund	(193,668)
707	Tree Fund	(157,978)

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

Officials' Response: Addressed in 2008. Adjustments made.

Finding Number	2007-003
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Interest – Significant Deficiency/Noncompliance Finding

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

\$7,412 of Interest earned in 2007 on permissive motor vehicle and fuel tax receipts was improperly credited to the General Fund. The \$7,412 should have been posted as follows:

Fund	Amount
State Highway Improvement	\$964
Motor Vehicle License Tax	6,448
Total	\$7,412

The Village's financial statements and accounting records have been adjusted (Finding 2007-013) to properly post these revenues to the correct funds.

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

Officials' Response: Adjustment made for 2007 and addressed in 2008

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-004
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Bonding – Noncompliance Finding

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

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

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

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

Officials' Response: Separate bond started in 2008.

Finding Number	2007-005
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Appropriations Exceeding Estimated Resources – Noncompliance Finding

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

The funds listed in the chart below had appropriations in excess of estimated resources at December 31, 2007.

Fund #	Fund Name	Estimated Resources	Appropriations	Variance
201	Street Maintenance & Repair Fund	\$170,598	\$813,000	\$(642,402)
207	Senior Transportation Fund	17,100	18,000	(900)
301	Debt Service Fund	952,892	6,300,000	(5,347,108)
503	Water Capital Fund	43,137	3,227,000	(3,183,863)
704	Escrow	96,463	200,000	(103,537)
707	Tree Fund	35,004	50,000	(14,996)
703	Township Inspection Fund	1,328	20,000	(18,672)
501	Water Fund	397,343	408,130	(10,787)

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-005 (Continued)
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Appropriations Exceeding Estimated Resources – Noncompliance Finding (Continued)

This could result in the Village expending more money than it receives and being unable to meet current obligations for the funds listed above. As noted in Finding 2007-002, this did result in a year-end negative fund balance for the Tree Fund.

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

Officials' Response: Addressed in 2008. Appropriations are amended and estimated resources adjusted to avoid negative appearances.

Finding Number	2007-006
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Appropriation Amendments – Noncompliance Finding

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

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

During 2007, Council approved two amendments to the Village's appropriations, but they were not submitted to the County Budget Commission.

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

Officials' Response: Addressed in 2008.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-007
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Expenditures Exceeding Appropriations – Noncompliance Finding

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

Budgetary expenditures exceeded appropriations for the year ended December 31, 2007 at the fund level as follows:

Fund #	Fund Name	Appropriation Authority	Total Expenditures	Variance
215	COPS Fast Fund	0	15,513	(15,513)
301	Debt Service Fund	6,300,000	6,495,734	(195,734)

Budgetary expenditures exceeded appropriations for the year ended December 31, 2007 at the legal level of control as follows:

Fund #/ Department	Fund/Account Name	Appropriation Authority	Total Expenditures	Variance
101-07	Real Estate Tax Collection (General Fund)	6,600	7,277	(677)
101-12	Finance Department (General Fund)	263,532	279,556	(16,024)
101-13	Planning and Development (General Fund)	179,424	190,037	(10,613)
101-14	Public Service	237,500	453,428	(215,928)
101-16	Law Department	136,846	156,276	(19,430)

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

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

Officials' Response: Addressed in 2008. Amendments to appropriations are done and followed by department heads. Amendments are sent immediately to the county auditor by the clerk of council.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)

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

Finding Number	2007-008
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Certification of Funds – Noncompliance Finding

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

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 40 percent 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, 2007
(Continued)

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

Finding Number	2007-008 (Continued)
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Certification of Funds – Noncompliance Finding (Continued)

Furthermore, for 36 percent of the purchase orders tested, authorization and approval of the purchase by the Village Administrator was not documented. This was often due to the Village not generating purchase orders for utility expenditures, service contracts and recreation officiating expenditures.

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

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

Officials' Response: PO procedure has been addressed in 2008, with the addition of the then and now stamp. Enforcement of no purchases without a valid PO is stressed to all dept. heads. PO input and approval is done electronically by finance and administration. Then and now is also used on utilities.

Finding Number	2007-009
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NRMSIR and SID Filing – Noncompliance Finding

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

The Village did not submit the annual financial report to the NRMSIR or the SID (OMAC).

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

Officials' Response: Addressed in 2008. Filings sent to OMAC and NRMSIR.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)

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

Finding Number	2007-010
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Segregation of Duties – Material Weakness/Significant Deficiency

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

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

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

This resulted in adjustments and reclassifications denoted in Finding 2007-013 and could result in further errors, irregularities, and/or fraud (theft) occurring and remaining undetected for an extended period of time.

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

Officials' Response: Finance office is small. We have installed checks and balances. This involves another finance office employee reviewing and signing off on another employee's processes. Similar to our 2005/2006 response.

Finding Number	2007-011
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Departmental Receipts – Material Weakness/Significant Deficiency

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

No procedures exist for Department Directors to actively monitor and review the revenue generated by their departments and ensure proper posting on the Village's revenue ledgers. Failure to monitor revenue resulted in improperly posted and reported receipts (See Finding 2007-013) and may result in potential error or theft occurring without the timely detection of management.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)

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

Finding Number	2007-011 (Continued)
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Departmental Receipts – Material Weakness/Significant Deficiency (Continued)

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

Officials' Response: A procedure has been established for all departmental receipts. We have systems at Golf and Recreation that are used as a check for our input to CMI budgetary. All departmental backup is attached to our deposit and input.

Finding Number	2007-012
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Bank to Book Reconciliations and Monitoring – Material Weakness/Significant Deficiency

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

The Village did not begin performing bank to book reconciliations until May 2007. However, even when reconciliations were performed the Village was unreconciled throughout the year, which resulted in numerous mispostings totaling \$70,528, which are included in Finding 2007-013, including an adjustment to revenue of \$17,977 to balance the Village's reconciliation, which have been adjusted in the accompanying financial statements and accounting records. Additionally, the budgeted amounts on the accounting ledgers were not properly entered, making budget versus actual comparisons provided to Council inaccurate. As of December 31, 2007, estimated receipts on the accounting ledgers were overstated in 13 funds and understated in eight funds with a net overstatement of \$3,562,690 in estimated receipts. In addition, appropriations on the accounting ledgers were overstated in two funds and understated in six funds with a net overstatement of \$33,207 in appropriations.

As a result, inaccurate financial reports were provided to Council to aid in management decisions, which lead to errors or irregularities occurring in the financial statements which went 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 and by Council and that evidence of these reviews and approvals be documented.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)

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

Finding Number	2007-012 (Continued)
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Bank to Book Reconciliations and Monitoring – Material Weakness/Significant Deficiency (Continued)

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

Officials' Response: With the 2007 adjustments bank to book will not have an adjusting entry. Monthly reconciliations have been performed beginning in 2007.

Finding Number	2007-013
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Financial Reporting – Material Weakness/Significant Deficiency

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

The following aggregated audit adjustments/reclassifications, comprised of 31 adjusting journal entries, were made to the financial statements and, where applicable, the Village's accounting records:

- Governmental Activities (which include all governmental fund entries):
- Assets are overstated by a net amount of \$31,630
 - Revenues are understated by a net amount of \$1,074,104
 - Expenses are understated by a net amount of \$1,105,734
- Business-Type Activities (which include all proprietary fund entries):
- Assets are overstated by a net amount of \$22,437
 - Revenues are understated by a net amount of \$578,715
 - Expenses are understated by a net amount of \$601,152

Additionally, General Fund budgetary statements were adjusted to reflect the Council approved appropriations and the Budget Commission certified original and final estimated receipts.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-013 (Continued)
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Financial Reporting – Material Weakness/Significant Deficiency (Continued)

The following aggregated differences/reclassifications were immaterial to the overall financial statements of the Village and were not posted to the financial statements or the Village’s accounting records:

Governmental Activities (which include all governmental fund entries):

- Assets are overstated by a net amount of \$14,480
- Revenues are understated by a net amount of \$29,672
- Expenses are understated by a net amount of \$72,834

Business-Type Activities (which include all proprietary fund entries):

- Assets are overstated by a net amount of \$1,064
- Revenues are overstated by a net amount of \$29,746
- Expenses are overstated by a net amount of \$28,682

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

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

Officials’ Response: Changes have been input to avoid this occurrence. We no longer handle revenue sharing as a reduction to revenue. All revenue sharing is appropriated.

Finding Number	2007-014
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Payroll Expenditure Allocations – Material Weakness/Significant Deficiency

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

Throughout 2007, wages, salaries, and fringe benefits were charged to funds and departments based on where appropriations were available rather than where the payroll was accrued. In some instances, the Village was able to provide information to support the charges. However, payroll costs totaling \$303,885 were shifted among various departments and funds and were neither supported nor allowable.

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-014 (Continued)
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Payroll Expenditure Allocations – Material Weakness/Significant Deficiency (Continued)

There were \$273,641 of unallowable expenditure shifts among General Fund departments; \$9,297 of unallowable expenditure shifts from the General Fund to Other Governmental Funds; \$818 of unallowable expenditure shifts from the General Fund to the Water Fund; and \$20,129 of unallowable expenditure shifts from the General Fund to the Sewer Fund. The unallowable shifts within the General Fund affected departments that were not congruent with one another. Documentation was not maintained to support the shifts in expenditures; they were done above the budgetary legal level of control; and they resulted in the budgetary process being circumvented.

Additionally, payroll disbursements for five employees were charged entirely to the Street Maintenance and Repair Fund, although their work duties also included significant responsibilities within the Water and Sewer Department.

The proper allocation of those charges has been corrected by audit adjustment (including Finding 2007-013) and is reflected in the accompanying financial statements and Village accounting records.

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

Officials' Response: We have handled those employees paid from more than one expense area. We can provide the percentage and amounts of those employees paid in this manner.

Finding Number	2007-015
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Utilities – Integrity of Computer System – Significant Deficiency

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

The water and sanitary sewer consumption reports do not always calculate properly. The utility billing system miscalculated water usage by 28,050 thousand units or 26 percent of water usage and 28,618 thousand units or 27 percent of sanitary sewer usage. Additionally, consumption and in turn generated billings with known adjustments did not agree to receipts and accounts receivable over water and sanitary sewer usage with no explanation from the Village as to variances.

Although some of the miscalculations were detected and corrected manually by the Public Works Department, the Village did not retain or present the information for explanation for several of the variances. The utility miscalculations hinder management's ability to effectively monitor water and sanitary sewer usage and the related revenues.

VILLAGE OF GROVEPORT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)

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

Finding Number	2007-015 (Continued)
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Utilities – Integrity of Computer System – Significant Deficiency (Continued)

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

Officials' Response: We are tracking gallons produced against gallons billed. This also includes gallons used by village buildings and parks. This will also show us potential water lost in transit.

Finding Number	2007-016
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Utilities – Non-cash Adjustments and Write-offs – Significant Deficiency

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

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

Failure to have further review of the billings and approval for non-cash adjustments with an appropriate trail of evidence may result in improper billings with the Village not billing and receiving the correct amounts due. Further, the trail of these adjustments and write-offs hinder management's ability to effectively monitor water and sanitary sewer usage and the related revenues.

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

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

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Village Codified Ordinance 181.15 for Income Tax Allocation	No	Not Corrected; reissued Finding 2007-001
2006-002	OAC 117-2-02(D) Deficient Accounting Records	No	Finding No Longer Valid – Village did not prepare GAAP financial statements
2006-003	ORC 5705.10 (H) – Uses of Revenues and Negative Fund Balances	No	Not Corrected; reissued Finding 2007-002
2006-004	ORC 5705.42 – Issue II recording grant monies	Yes	
2006-005	Segregation of Duties	No	Not Corrected; reissued Finding 2007-010
2006-006	Ohio Constitution XII, Section 5a Ohio Constitution and 1982 Op. Atty Gen. No. 82-031 – Interest Allocation	No	Not Corrected; reissued Finding 2007-003
2006-007	ORC 9.38 – Cash collection points & timely depositing	No	Not Corrected; reissued as management letter citation
2006-008	ORC 117.38 – Filing Annual Report and Publishing of Notice	No	Partially Corrected; reissued as management letter citation
2006-009	ORC 705.27 – Finance Director Bonding	No	Not Corrected; reissued Finding 2007-004
2006-010	ORC 5705.39 – Appropriations exceeding Estimated Resources	No	Not Corrected; reissued Finding 2007-005
2006-011	ORC 5705.40 – Appropriation Amendments	No	Not Corrected; reissued Finding 2007-006
2006-012	ORC 5705.41 (B) – Expenditures exceeding Appropriations	No	Not Corrected; reissued Finding 2007-007
2006-013	ORC 5705.41 (D) – Certification of Funds	No	Not Corrected; reissued Finding 2007-008
2006-014	Payroll Expenditures with Finding for Recovery	Yes	Finding No Longer Valid
2006-015	17 CFR 240 15c2-12 for NRMSIR and SID filing	No	Not Corrected; reissued Finding 2007-009
2006-016	Departmental Receipts Monitoring	No	Not Corrected; reissued Finding 2007-011
2006-017	Reconciliation of Bank to Book Balances and Monitoring	No	Not Corrected; reissued Finding 2007-012
2006-018	Financial Reporting	No	Not Corrected; reissued Finding 2007-013
2006-019	Utilities Integrity of Computer System	No	Not Corrected; reissued Finding 2007-015
2006-020	Utilities Non-cash Adjustments and write-offs	No	Not Corrected; reissued Finding 2007-016

**VILLAGE OF GROVEPORT
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007
(Continued)**

2006-021	Payroll Expenditure Allocations	No	Not Corrected; reissued Finding 2007-014
2006-022	Purchasing Authorization internal control procedures	No	Partially Corrected; reissued as management letter recommendation
2006-023	Voided checks	Yes	
2006-024	Payroll procedures	No	Partially Corrected; reissued as management letter recommendation



Mary Taylor, CPA
Auditor of State

VILLAGE OF GROVEPORT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 21, 2009**