

**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

Basic Financial Statements
(Audited)

For The Year Ended
December 31, 2007

W. JEROME ISLER, DIRECTOR OF FINANCE



Mary Taylor, CPA
Auditor of State

Members of Council and Mayor
City of Gahanna
200 South Hamilton Road
Gahanna, Ohio 43230

We have reviewed the *Independent Auditors' Report* of the City of Gahanna, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 14, 2008

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**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis	2 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities	16 - 17
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18 - 19
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22 - 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	25
Statement of Revenues, Expenditures and Changes In Fund Balance Budget and Actual (Non-GAAP) Budgetary Basis Street Maintenance and Repair - Special Revenue Fund.....	26
Tax Increment Equivalent - Special Revenue Fund	27
Statement of Fund Net Assets - Enterprise Funds	28
Statement of Revenues, Expenses and Changes In Fund Net Assets - Enterprise Funds	29
Statement of Cash Flows - Enterprise Funds	30 - 31
Statement of Fiduciary Assets and Liabilities - Agency Funds	32
Notes to the Basic Financial Statements	33 - 73
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	74 - 75
Schedule of Findings and Responses.....	76 - 77

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Members of Council and Mayor
City of Gahanna
200 South Hamilton Road
Gahanna, Ohio 43230

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 City of Gahanna, Franklin County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Gahanna's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gahanna'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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparisons for the general fund and street maintenance and repair and tax increment equivalent special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the City of Gahanna has reported prior period adjustments in net assets and fund balances reported at December 31, 2006 in relation to interfund transactions, receivables for utility services and tax increment financing agreements.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2008, on our consideration of the City of Gahanna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Julian & Grube, Inc.
September 30, 2008

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

The management's discussion and analysis of the City of Gahanna's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$9,486,411. Revenues of governmental activities exceeded expenses by \$7,213,099. Net assets of business-type activities increased by \$2,273,312.
- General revenues of governmental activities accounted for \$25,162,874 of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$9,740,426 of total governmental revenues of \$34,903,300.
- The City had \$27,640,201 in expenses related to governmental activities. \$9,740,426 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily income taxes) of \$25,162,874 were more than adequate to provide for these programs. The City had \$11,004,598 in expenses related to business-type activities, which were offset entirely by program specific charges for services.
- Enterprise funds reflected a total operating income of \$2,210,974. The Water Fund and Sewer Fund reflected operating incomes of \$125,628 and \$2,427,454, respectively; while the Storm Water Fund reflected an operating loss of \$342,108.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Gahanna's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement Of Net Assets and the Statement Of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The 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 the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

REPORTING THE CITY AS A WHOLE

One of the most important questions asked about the City is “How did we do financially during 2007?” The Statement Of Net Assets and the Statement Of Activities, which appear first in the City’s financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the City’s net assets and changes in those assets. This change in net assets is important because it informs the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City’s financial well-being. Some of these factors include the City’s tax base and the condition of capital assets.

In the Statement Of Net Assets and the Statement Of Activities, the City is divided into two kinds of activities.

Governmental Activities – Most of the City’s services are reported here including police, public health, leisure time activities, community development, basic utility service, transportation, and general government.

Business-Type Activities – These services include water, sewer and storm water. Service fees for these operations are charged based upon the amount of usage except for the storm water charges. The intent is that the fees charged recoup operational costs. Fees for the Storm Water Fund are based on Equivalent Residential Units (ERU) and transfers. The intent of the storm water fees is to cover the cost of repairs and improvements.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds begins on page 10. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City uses many funds to account for a multitude of financial transactions. Some funds are required by State law and bond covenants. Other funds may be established by the Director of Finance, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City's major funds are the General Fund, the Street Maintenance and Repair Special Revenue Fund, the Tax Increment Equivalent Special Revenue Fund, the Bond Retirement Debt Service Fund, the Capital Improvement Capital Projects Fund, and the Water, Sewer and Storm Water Enterprise Funds.

Governmental Funds

Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement Of Net Assets and the Statement Of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Funds

When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds

The City's fiduciary funds are three agency funds. All of the City's fiduciary activities are reported in a separate Statement Of Fiduciary Assets And Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

THE CITY AS A WHOLE

As stated previously, the Statement Of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Current And Other Assets	\$49,463,201	\$56,858,831	\$17,531,111	\$22,893,244	\$66,994,312	\$79,752,075
Nondepreciable Capital Assets	35,656,878	34,738,771	2,373,922	1,597,281	38,030,800	36,336,052
Depreciable Capital Assets, Net	28,512,782	37,321,571	49,625,092	49,911,266	78,137,874	87,232,837
Total Assets	113,632,861	128,919,173	69,530,125	74,401,791	183,162,986	203,320,964
Liabilities						
Current And Other Liabilities	5,756,715	5,811,108	1,713,768	1,789,339	7,470,483	7,600,447
Long-Term Liabilities: Due Within One Year	1,504,973	1,926,425	234,165	340,181	1,739,138	2,266,606
Due In More Than One Year	15,722,303	23,319,671	541,022	2,957,789	16,263,325	26,277,460
Total Liabilities	22,983,991	31,057,204	2,488,955	5,087,309	25,472,946	36,144,513
Net Assets						
Invested In Capital Assets, Net Of Related Debt	54,932,564	57,581,230	51,247,249	49,756,999	106,179,813	107,338,229
Restricted for:						
Capital Projects	5,129,937	4,066,324	0	0	5,129,937	4,066,324
Debt Service	921,766	713,315	0	0	921,766	713,315
Community Development	2,383,772	2,392,194	0	0	2,383,772	2,392,194
Security Of Persons And Property	650,355	906,887	0	0	650,355	906,887
Transportation	1,250,443	1,427,732	0	0	1,250,443	1,427,732
Leisure Time Activities	19,895	20,014	0	0	19,895	20,014
Other Purposes	638,624	803,798	0	0	638,624	803,798
Unrestricted	24,721,514	29,950,475	15,793,921	19,557,483	40,515,435	49,507,958
Total Net Assets	\$90,648,870	\$97,861,969	\$67,041,170	\$69,314,482	\$157,690,040	\$167,176,451

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

Overall, an increase of \$15,286,312 occurred within total governmental assets from the prior year. A significant increase of \$7,395,630 occurred within current and other assets of governmental activities when compared to the prior year. The only asset account which had a real effect on this increase was equity in pooled cash and cash equivalents, which increased \$7,455,541 as a result of proceeds from bond issuances remaining unspent as of year-end 2007. Nondepreciable capital assets demonstrated a decrease of \$918,107, while depreciable capital assets increased \$8,808,789. Nondepreciable capital assets decreased due to construction in progress deletions exceeding additions as the City had completed various street and community development projects during 2007. The increase in depreciable capital assets was primarily the result of the completion of various projects during 2007 which became depreciable capital assets.

Reviewing liabilities of governmental activities demonstrates a \$54,393 increase in current and other liabilities, which is insignificant. However, long-term liabilities increased \$8,018,820 as a result of the new bond issuance during 2007.

Invested in Capital Assets, Net of Related Debt of governmental activities increased \$2,648,666. This was primarily the result of current year additions to capital assets not funded by outstanding debt exceeding current year depreciation. A significant increase in capital assets occurred due to the completion of construction relating to various street construction and community development projects, the commencement of new construction projects for street improvements in 2007, and the continued construction on the Gahanna Creekside Development Project.

Governmental restricted net assets decreased \$664,528. When examining the individual components of governmental restricted net assets, those restricted for capital projects decreased \$1,063,613 as a result of the City utilizing its excess monies to pay for various capital improvements within the City.

Restricted net assets for debt service decreased \$208,451 as a result of annual debt payments made by the City. Restricted net assets for security of persons and property increased \$256,532 primarily as a result of the City transferring an excess of unrestricted monies to assist in funding police pension. Restricted net assets for transportation increased \$177,289 due to the City expensing fewer monies for operations from such net assets. Restricted net assets for community development and leisure time activities had insignificant increases of \$8,422 and \$119, respectively. Restricted net assets for other purposes had a significant increase of \$165,174. This is the result of the City receiving monies from various sources that remained unspent as of year-end 2007.

Unrestricted governmental net assets experienced an increase of \$5,228,961 for various reasons. The City earned more interest revenue on its investments than in the past, as well as receiving monies from an insurance settlement. These items, coupled with the fact that the City transferred significantly fewer monies from its unrestricted sources than it had in the past, contributed to the increase.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

In total, assets of business-type activities increased \$4,871,666. An increase of \$5,362,133 occurred within current and other assets when compared to the prior year. The only asset category that had a real effect on this increase was equity in pooled cash and cash equivalents. This account increased \$3,617,770 from the prior year as a result of proceeds from bond issuances remaining unspent as of year-end 2007 and an increase in charges for water services provided to citizens. Nondepreciable capital assets decreased \$776,641 as a result of the completion of various construction projects and the reclassification of such to depreciable capital assets. Depreciable capital assets, net of depreciation increased insignificantly from the prior year. Total liabilities of business-type activities increased \$2,598,354, due primarily to the new bond issuance during 2007. Total net assets of business-type activities increased \$2,273,312, which is insignificant.

Table 2 shows changes in net assets for the years ended December 31, 2006 and 2007.

Table 2
Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues						
Program Revenues:						
Charges For Services	\$1,677,049	\$4,073,440	\$10,190,855	\$13,086,873	\$11,867,904	\$17,160,313
Operating Grants And Contributions	2,044,487	1,857,991	0	0	2,044,487	1,857,991
Capital Grants And Contributions	878,780	3,808,995	0	0	878,780	3,808,995
Total Program Revenues	\$4,600,316	\$9,740,426	\$10,190,855	\$13,086,873	\$14,791,171	\$22,827,299

(continued)

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

Table 2
Changes In Net Assets
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues						
General Revenues:						
Property Taxes	\$2,012,766	\$2,028,963	\$0	\$0	\$2,012,766	\$2,028,963
Revenue In Lieu Of Taxes	1,552,505	1,052,840	0	0	1,552,505	1,052,840
Municipal Income Taxes	14,709,010	15,124,934	0	0	14,709,010	15,124,934
Other Local Taxes	798,742	892,450	0	0	798,742	892,450
Grants And Entitlements						
Not Restricted To						
Specific Programs	4,388,915	2,078,691	0	0	4,388,915	2,078,691
Unrestricted Investment						
Earnings	2,750,655	3,246,695	5,233	49,601	2,755,888	3,296,296
Contributions And						
Donations	1,116	0	0	0	1,116	0
Miscellaneous	92,750	738,301	59,566	91,436	152,316	829,737
Total General Revenues	26,306,459	25,162,874	64,799	141,037	26,371,258	25,303,911
Total Revenues	30,906,775	34,903,300	10,255,654	13,227,910	41,162,429	48,131,210
Program Expenses						
Security Of Persons						
And Property	8,398,282	8,519,978	0	0	8,398,282	8,519,978
Public Health	184,719	174,923	0	0	184,719	174,923
Leisure Time Activities	2,384,657	2,564,826	0	0	2,384,657	2,564,826
Community Development	4,873,258	5,597,590	0	0	4,873,258	5,597,590
Basic Utility Services	16,946	1,468,793	0	0	16,946	1,468,793
General Government	2,885,011	3,654,789	0	0	2,885,011	3,654,789
Transportation	4,533,474	4,880,366	0	0	4,533,474	4,880,366
Interest And						
Fiscal Charges	665,994	778,936	0	0	665,994	778,936
Water	0	0	4,409,294	4,186,573	4,409,294	4,186,573
Sewer	0	0	5,760,998	5,523,203	5,760,998	5,523,203
Storm Water	0	0	680,243	1,294,822	680,243	1,294,822
Total Expenses	23,942,341	27,640,201	10,850,535	11,004,598	34,792,876	38,644,799
Increase (Decrease) In Net						
Assets Before Transfers	6,964,434	7,263,099	(594,881)	2,223,312	6,369,553	9,486,411
Transfers	(81,298)	(50,000)	81,298	50,000	0	0
Increase In Net Assets	6,883,136	7,213,099	(513,583)	2,273,312	6,369,553	9,486,411
Net Assets At Beginning						
Of Year	83,765,734	90,648,870	67,554,753	67,041,170	151,320,487	157,690,040
Net Assets At End Of Year	\$90,648,870	\$97,861,969	\$67,041,170	\$69,314,482	\$157,690,040	\$167,176,451

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

Governmental Activities

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were \$9,740,426 of total revenues for 2007 and were significantly greater than 2006. This is the result of the City receiving significant grant monies in 2007 for the Clean Ohio Revitalization program that were not received in 2006.

As previously mentioned, general revenues were \$25,162,874 of total revenues for 2007. The City relies immensely on property and income taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed. Income tax is the largest source of revenue for the City of Gahanna. The City provides 83 and 1/3 percent tax credit for taxes paid to another municipality and an exemption for residents under the age of 18. Since 1992, income tax revenue has increased annually an average of 8.31 percent. While the City lost one of its largest employers in 2006, successful efforts to expand existing businesses and attract new businesses minimized the effect of this loss.

Administration and Council has a quality of life commitment to the citizens and businesses located in Gahanna. With this in mind, Council committed, through appropriations in 2007, over \$60 million from governmental and business sources including, but not limited to, federal and State grants for capital assets, equipment, and related repairs. These assets included street reconstruction, street resurfacing, sidewalk replacements, safety and street maintenance equipment and vehicles, as well as park and recreation equipment.

Business-Type Activities

The City's Business-Type Activities include water, sewer and storm water services.

Water treatment and facility repair services are contracted with the City of Columbus through a master meter contract and are paid for through user fees billed by the City of Gahanna to Gahanna residents and businesses. The City of Gahanna has its own user fee that is incorporated in the billing. This revenue is used to pay for the necessary level of staffing required to complement the contracted services, debt service on water system improvements and to fund system improvements and depreciation. The City of Gahanna also collects a tap fee each time a new tap to the system is made, which funds a portion of system repair and replacement. Gahanna owns the infrastructure necessary to furnish services to their citizens and is responsible for major reconstruction and extension of new service within the community.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

Sewer treatment is contracted with the City of Columbus and is paid for through user fees billed by the City of Gahanna to Gahanna residents and businesses. The City of Gahanna has its own user fee that is incorporated in the billing. This revenue is used to pay for the necessary level of staffing required to complement the contracted services, debt service on sanitary sewer system improvements, and to fund system improvements and depreciation. The City of Gahanna also collects a tap fee each time a new tap to the system is made which funds a portion of system repair and replacement. Gahanna owns and maintains the infrastructure necessary to furnish services to their citizens and is responsible for major reconstruction and the extension of new service within the community.

A storm water utility charge was put into place January 1, 2006, the purpose of which was to create a funding source to help alleviate some of the flooding problems endured by the residents and businesses. Charges are assessed by the City to Gahanna residents and businesses. The revenue is used to pay for the necessary sediment control plans, construction, maintenance, rehabilitation and inspection of existing and new storm water facilities.

Program revenues for business-type activities, which are primarily represented by charges for water, sewer, and storm water services provided to residents and businesses within the City, increased \$2,896,018 from the prior year as a result of significant increases in water and sewer collections for 2007. Water collections increased during 2007 due to rate increases enacted by the City in 2007, while the City is still experiencing collection increases relating to sewer charges as a result of the 2006 rate increases. Program expenses for business-type activities represented a significant increase from the prior year. This was the result of a different approach in recording storm water revenue and expenses. In prior years, the City netted its revenues and expenses relating to storm water collections against one another. Per an audit recommendation, the City corrected its recording of these collections in 2007; thus, an increase in revenues and expenses was demonstrated.

THE CITY'S FUNDS

Information about the City's major governmental funds begins on page 18. All governmental funds had total revenues of \$33,951,254 and expenditures of \$36,476,833. The General Fund balance and the Street Maintenance and Repair Fund balance increased \$5,479,571 and \$931,610, respectively. The increases are primarily the result of proceeds received from the issuance of bonds that remained unspent at year-end 2007.

The Tax Increment Equivalent's balance increased \$553,268, due primarily to greater collections from tax increment financing options as a result of more agreements being entered into and collected upon during 2007 than in the prior year.

The Bond Retirement Fund's balance increased \$13,762, due primarily to an excess of monies transferred from unrestricted sources.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

The Capital Improvement Fund's balance decreased \$977,076. In the prior year, there was an excess of monies transferred from unrestricted sources. Because of the excess, very minimal monies were transferred to this fund from unrestricted sources during 2007 which allowed the City to utilize its excess monies in this fund to pay for various capital improvements within the City.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements, and encumbrances. The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews detailed budget worksheets of each function within the General Fund and then adopts the budget on a fund basis. During 2007, the City amended its General Fund budget as needed. For the General Fund, final budgeted revenues, in the amount of \$28,025,878, were above original budgeted revenues, in the amount of \$22,764,319. This increase is due to increases in intergovernmental revenues and investment earnings. The increase in intergovernmental revenue is due to the City applying for and accepting a Clean Ohio Revitalization Grant during 2007 which was not included in its original budget figures. Investment earnings were significantly greater than originally planned due to the City investing bond proceeds from the 2007 Various Purpose bond issue until expenses come due for each of the respective projects. For 2007, actual revenues were higher than final budgeted amounts by \$1,121,766. The difference is due to conservative estimates being made by the City in relation to income taxes and intergovernmental revenues.

The increase in expenditures from the original to the final budget was \$10,478,912. This increase was due to increased expenditures for capital outlay, including roadway construction projects, building construction, vehicles, and equipment. The difference in actual expenditures made from the final budget was \$3,750,992, a somewhat significant reduction. The three primary causes of this reduction were a decrease in actual general government expenditures from final budgeted amounts of \$935,063, a decrease in actual expenditures for transportation from final budgeted amounts of \$1,415,259, and a decrease in actual capital outlay expenditures from final budgeted amounts of \$767,890. The final budgeted amounts for the general government and transportation expenditures included estimates charged by the City administrators and the service department to the utility departments. These charges are eliminated in the actual expenditure columns because the City invoices the utility departments and the utility departments transfer monies to the General Fund to pay for such services. Actual capital outlay expenditures were significantly lower because the City had estimated to incur higher costs in relation to the Brownfield Clean-Up Project than it actually did.

Actual General Fund revenues were less than expenditures by \$8,820,317. The primary reason for this variance is due to bond proceeds received in 2005 in which the expenditures spanned into future years. The full amount of the proceeds was encumbered during 2005 and the unspent portion is carried over from year to year, creating a significant negative variance between revenues and expenditures.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

The City's ending unobligated fund balance was \$3,303,418 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City had \$72,060,342 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$7,890,682 from the prior year. Increases in capital assets included land and building purchases, building improvements, various routine machinery and equipment purchases, various vehicle purchases, infrastructure additions primarily related to street resurfacing, and construction in progress additions related to street projects, community development projects, and the Gahanna Creekside Development Project. Disposal of capital assets included various pieces of machinery and equipment, vehicles, and street surfaces. The increase in capital assets is primarily the result of continued progress with the Gahanna Creekside Development Project and various street resurfacing projects occurring during 2007.

The City also had \$51,508,547 invested in capital assets (net of accumulated depreciation) for business-type activities, a decrease of \$490,467 from the prior year. Increases in capital assets included construction in progress additions, various routine machinery and equipment purchases, the purchase of utility vehicles within the departments, and the installation of storm water lines, water lines, and sewer lines within the City. Disposal of capital assets included various machinery and equipment utilized by the utility departments.

See Note 9 of the Notes to the Basic Financial Statements for more detailed information.

Debt

The City's outstanding debt obligations at year-end included general obligation bonds in the amount of \$22,406,282 and an Ohio Public Works Commission loan in the amount of \$861,423 for governmental activities. Business-type activities had general obligation bonds in the amount \$3,205,464 and an Ohio Public Works Commission loan in the amount of \$62,911 outstanding at year-end. The City's long-term obligations also included capital leases and compensated absences for governmental activities and compensated absences for business-type activities.

See Note 14 of the Notes to the Basic Financial Statements for more detailed information.

City of Gahanna, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2007
(Unaudited)

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jerry Isler, Director of Finance, City of Gahanna, 200 South Hamilton Road, Gahanna, Ohio 43230.

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City of Gahanna, Ohio
Statement Of Net Assets
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity In Pooled Cash And Cash Equivalents	\$43,952,265	\$20,396,305	\$64,348,570
Cash And Cash Equivalents:			
With Fiscal Agents	443,336	0	443,336
With Escrow Agents	197,000	0	197,000
Accrued Interest Receivable	261,471	0	261,471
Accounts Receivable	367,723	2,477,667	2,845,390
Municipal Income Tax Receivable	4,392,408	0	4,392,408
Due From Other Governments	2,862,005	0	2,862,005
Internal Balances	45,000	(45,000)	0
Prepaid Items	106,811	5,764	112,575
Materials And Supplies Inventory	241,272	30,312	271,584
Property Taxes Receivable	2,127,799	0	2,127,799
Revenue In Lieu Of Taxes Receivable	1,052,840	0	1,052,840
Other Local Taxes Receivable	140,690	0	140,690
Capital Leases Receivable	466,270	0	466,270
Deferred Charges	201,941	28,196	230,137
Land And Construction In Progress	34,738,771	1,597,281	36,336,052
Depreciable Capital Assets, Net	37,321,571	49,911,266	87,232,837
Total Assets	128,919,173	74,401,791	203,320,964
<u>Liabilities:</u>			
Accounts Payable	881,873	19,595	901,468
Accrued Wages Payable	402,063	30,084	432,147
Contracts Payable	807,398	22,147	829,545
Retainage Payable	358,968	0	358,968
Due To Other Governments	665,199	1,693,346	2,358,545
Deferred Revenue	2,465,037	0	2,465,037
Accrued Interest Payable	82,795	12,328	95,123
Compensatory Time Payable	147,775	11,839	159,614
Long-Term Liabilities:			
Due Within One Year	1,926,425	340,181	2,266,606
Due In More Than One Year	23,319,671	2,957,789	26,277,460
Total Liabilities	31,057,204	5,087,309	36,144,513
<u>Net Assets:</u>			
Invested In Capital Assets, Net Of Related Debt	57,581,230	49,756,999	107,338,229
Restricted For:			
Capital Projects	4,066,324	0	4,066,324
Debt Service	713,315	0	713,315
Community Development	2,392,194	0	2,392,194
Security Of Persons And Property	906,887	0	906,887
Transportation	1,427,732	0	1,427,732
Leisure Time Activities	20,014	0	20,014
Other Purposes	803,798	0	803,798
Unrestricted	29,950,475	19,557,483	49,507,958
Total Net Assets	\$97,861,969	\$69,314,482	\$167,176,451

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Activities
For the Year Ended December 31, 2007

	Program Revenues			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions
<u>Governmental Activities:</u>				
Security Of Persons And Property	\$8,519,978	\$156,602	\$75,489	\$37,805
Public Health	174,923	0	0	0
Leisure Time Activities	2,564,826	725,808	4,082	250,000
Community Development	5,597,590	449,657	0	3,258,684
Basic Utility Services	1,468,793	1,666,698	0	0
General Government	3,654,789	720,829	0	0
Transportation	4,880,366	353,846	1,778,420	262,506
Interest And Fiscal Charges	778,936	0	0	0
<i>Total Governmental Activities</i>	<u>27,640,201</u>	<u>4,073,440</u>	<u>1,857,991</u>	<u>3,808,995</u>
<u>Business-Type Activities:</u>				
Water	4,186,573	4,243,182	0	0
Sewer	5,523,203	7,941,555	0	0
Storm Water	1,294,822	902,136	0	0
<i>Total Business-Type Activities</i>	<u>11,004,598</u>	<u>13,086,873</u>	<u>0</u>	<u>0</u>
<i>Total Activities</i>	<u>\$38,644,799</u>	<u>\$17,160,313</u>	<u>\$1,857,991</u>	<u>\$3,808,995</u>

General Revenues:

Property Taxes Levied For:
 General Purposes
 Debt Service
 Police
Revenue In Lieu Of Taxes
Municipal Income Taxes Levied For General Purposes
Other Local Taxes
Grants And Entitlements Not Restricted To Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Transfers

Total General Revenues And Transfers

Change In Net Assets

Net Assets At Beginning of Year - Restated (Note 3)

Net Assets At End Of Year

See Accompanying Notes To The Basic Financial Statements

Net (Expense) Revenue And Changes In Net Assets

Governmental Activities	Business-Type Activities	Total
(\$8,250,082)	\$0	(\$8,250,082)
(174,923)	0	(174,923)
(1,584,936)	0	(1,584,936)
(1,889,249)	0	(1,889,249)
197,905	0	197,905
(2,933,960)	0	(2,933,960)
(2,485,594)	0	(2,485,594)
(778,936)	0	(778,936)
<u>(17,899,775)</u>	<u>0</u>	<u>(17,899,775)</u>
0	56,609	56,609
0	2,418,352	2,418,352
0	(392,686)	(392,686)
<u>0</u>	<u>2,082,275</u>	<u>2,082,275</u>
<u>(17,899,775)</u>	<u>2,082,275</u>	<u>(15,817,500)</u>
1,529,731	0	1,529,731
245,512	0	245,512
253,720	0	253,720
1,052,840	0	1,052,840
15,124,934	0	15,124,934
892,450	0	892,450
2,078,691	0	2,078,691
3,246,695	49,601	3,296,296
738,301	91,436	829,737
(50,000)	50,000	0
<u>25,112,874</u>	<u>191,037</u>	<u>25,303,911</u>
7,213,099	2,273,312	9,486,411
<u>90,648,870</u>	<u>67,041,170</u>	<u>157,690,040</u>
<u>\$97,861,969</u>	<u>\$69,314,482</u>	<u>\$167,176,451</u>

City of Gahanna, Ohio
 Balance Sheet
 Governmental Funds
 December 31, 2007

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Tax Increment Equivalent</u>
<u>Assets:</u>			
Equity In Pooled Cash And			
Cash Equivalents	\$31,202,465	\$2,858,831	\$1,721,881
Cash And Cash Equivalents			
With Fiscal Agents	0	0	0
Receivables:			
Property Taxes	1,604,449	0	0
Other Local Taxes	140,690	0	0
Revenue In Lieu Of Taxes	0	0	1,052,840
Municipal Income Tax	4,392,408	0	0
Accounts	367,723	0	0
Interfund	45,000	0	0
Accrued Interest	261,471	0	0
Restricted Assets:			
Cash And Cash Equivalents With			
Escrow Agents	191,003	3,954	0
Due From Other Governments	2,013,493	754,198	4,468
Materials And Supplies Inventory	241,272	0	0
Prepaid Items	103,152	3,659	0
Capital Leases Receivable	0	0	0
<i>Total Assets</i>	<u><u>\$40,563,126</u></u>	<u><u>\$3,620,642</u></u>	<u><u>\$2,779,189</u></u>
<u>Liabilities And Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$389,589	\$92,079	\$395,791
Contracts Payable	578,255	43,780	0
Accrued Wages Payable	385,105	16,958	0
Retainage Payable From Restricted Assets	191,003	3,954	0
Retainage Payable	0	112,889	0
Due To Other Governments	402,366	24,884	0
Deferred Revenue	6,945,881	625,254	1,057,308
<i>Total Liabilities</i>	<u><u>8,892,199</u></u>	<u><u>919,798</u></u>	<u><u>1,453,099</u></u>
<u>Fund Balances:</u>			
Reserved For Encumbrances	14,078,731	2,482,273	103,824
Unreserved:			
Designated:			
Designated For Sick/Vacation Leave	1,661,984	0	0
Undesignated, Reported In:			
General Fund	15,930,212	0	0
Special Revenue Funds	0	218,571	1,222,266
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u><u>31,670,927</u></u>	<u><u>2,700,844</u></u>	<u><u>1,326,090</u></u>
<i>Total Liabilities And Fund Balances</i>	<u><u>\$40,563,126</u></u>	<u><u>\$3,620,642</u></u>	<u><u>\$2,779,189</u></u>

See Accompanying Notes to the Basic Financial Statements

Bond Retirement	Capital Improvement	Nonmajor Funds	Total Governmental Funds
\$1,090,455	\$4,009,649	\$3,068,984	\$43,952,265
0	0	443,336	443,336
257,251	0	266,099	2,127,799
0	0	0	140,690
0	0	0	1,052,840
0	0	0	4,392,408
0	0	0	367,723
0	0	0	45,000
0	0	0	261,471
0	2,043	0	197,000
15,748	0	74,098	2,862,005
0	0	0	241,272
0	0	0	106,811
0	0	466,270	466,270
<u>\$1,363,454</u>	<u>\$4,011,692</u>	<u>\$4,318,787</u>	<u>\$56,656,890</u>
\$0	\$0	\$4,414	\$881,873
0	176,704	8,659	807,398
0	0	0	402,063
0	2,043	0	197,000
0	47,958	1,121	161,968
0	0	237,949	665,199
272,999	0	797,614	9,699,056
<u>272,999</u>	<u>226,705</u>	<u>1,049,757</u>	<u>12,814,557</u>
0	293,426	237,765	17,196,019
0	0	0	1,661,984
0	0	0	15,930,212
0	0	2,673,519	4,114,356
1,090,455	0	190,022	1,280,477
0	3,491,561	167,724	3,659,285
<u>1,090,455</u>	<u>3,784,987</u>	<u>3,269,030</u>	<u>43,842,333</u>
<u>\$1,363,454</u>	<u>\$4,011,692</u>	<u>\$4,318,787</u>	<u>\$56,656,890</u>

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City of Gahanna, Ohio
 Reconciliation Of Total Governmental Fund Balances To
 Net Assets Of Governmental Activities
 December 31, 2007

Total Governmental Fund Balances \$43,842,333

Amounts reported for governmental activities in the Statement Of Net Assets are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	15,847,259	
Construction In Progress	18,891,512	
Other Capital Assets	89,376,862	
Accumulated Depreciation	<u>(52,055,291)</u>	
		72,060,342

Revenue In Lieu Of Taxes expenditures and therefore are deferred in the funds:

Property Taxes	129,032	
Other Local Taxes	97,326	
Revenue In Lieu Of Taxes	1,052,840	
Municipal Income Taxes	3,300,928	
Accounts Receivable	13,005	
Accrued Interest	127,769	
Intergovernmental	<u>2,513,119</u>	
		7,234,019

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 201,941

Some liabilities, including bonds payable, leases payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

Accrued Interest	(82,795)	
Premiums On Bond Issuances	(515,728)	
General Obligation Bonds	(21,890,554)	
OPWC Loan	(861,423)	
Capital Leases Payable	(75,593)	
Compensated Absences	(1,902,798)	
Compensatory Time Payable	<u>(147,775)</u>	
		<u>(25,476,666)</u>

Net Assets Of Governmental Activities \$97,861,969

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2007

	General	Street Maintenance and Repair	Tax Increment Equivalent
<u>Revenues:</u>			
Property Taxes	\$1,514,519	\$0	\$0
Municipal Income Taxes	14,448,528	0	0
Other Local Taxes	865,751	0	0
Revenue In Lieu Of Taxes	0	0	1,552,505
Intergovernmental	5,019,985	1,561,012	49,649
Charges For Services	2,712,026	0	0
Licenses And Permits	478,337	0	0
Fines And Forfeitures	445,538	0	0
Investment Earnings	2,983,772	81,284	0
Increase In Fair Value Of Investments	249,771	0	0
Revenue In Lieu Of Taxes	18,272	0	0
Contributions And Donations	4,150	0	0
Miscellaneous	720,803	17,498	0
Total Revenues	29,461,452	1,659,794	1,602,154
<u>Expenditures:</u>			
Current Operations And Maintenance:			
Security Of Persons And Property	6,844,537	0	189,338
Public Health	174,923	0	0
Leisure Time Activities	2,218,050	0	0
Community Development	3,543,930	0	625,958
Basic Utility Services	1,457,644	0	0
General Government	3,059,740	0	224,968
Transportation	1,598,302	993,050	0
Capital Outlay	9,688,823	1,602,263	8,622
Debt Service:			
Principal Retirement	28,255	0	0
Interest And Fiscal Charges	5,801	0	0
Issuance Costs	72,303	21,959	0
Total Expenditures	28,692,308	2,617,272	1,048,886
Excess Of Revenues Over (Under) Expenditures	769,144	(957,478)	553,268
<u>Other Financing Sources (Uses):</u>			
Proceeds Of General Obligation Bonds	6,663,665	2,020,000	0
Proceeds From Sale Of Capital Assets	29,090	0	0
Premium On Debt Issued	158,638	51,959	0
Transfers In	10,000	120,000	0
Transfers Out	(2,150,966)	(302,871)	0
Total Other Financing Sources (Uses)	4,710,427	1,889,088	0
Net Change In Fund Balances	5,479,571	931,610	553,268
Fund Balance At Beginning Of Year - Restated (Note 3)	26,191,356	1,769,234	772,822
Fund Balances At End Of Year	\$31,670,927	\$2,700,844	\$1,326,090

See Accompanying Notes To The Basic Financial Statements

Bond Retirement	Capital Improvement	Nonmajor Funds	Total Governmental Funds
\$243,058	\$0	\$251,196	\$2,008,773
0	0	0	14,448,528
0	0	0	865,751
0	0	0	1,552,505
32,539	0	283,536	6,946,721
0	0	0	2,712,026
0	0	142,586	620,923
0	0	165,273	610,811
0	0	0	3,065,056
0	0	0	249,771
0	0	109,016	127,288
0	0	650	4,800
0	0	0	738,301
<u>275,597</u>	<u>0</u>	<u>952,257</u>	<u>33,951,254</u>
0	0	853,782	7,887,657
0	0	0	174,923
0	0	0	2,218,050
0	0	0	4,169,888
0	0	0	1,457,644
0	0	7,670	3,292,378
0	0	83,302	2,674,654
0	1,110,371	363,680	12,773,759
945,175	0	0	973,430
754,387	0	0	760,188
0	0	0	94,262
<u>1,699,562</u>	<u>1,110,371</u>	<u>1,308,434</u>	<u>36,476,833</u>
<u>(1,423,965)</u>	<u>(1,110,371)</u>	<u>(356,177)</u>	<u>(2,525,579)</u>
0	0	0	8,683,665
0	0	0	29,090
4,565	0	0	215,162
1,433,162	133,295	707,380	2,403,837
0	0	0	(2,453,837)
<u>1,437,727</u>	<u>133,295</u>	<u>707,380</u>	<u>8,877,917</u>
13,762	(977,076)	351,203	6,352,338
<u>1,076,693</u>	<u>4,762,063</u>	<u>2,917,827</u>	<u>37,489,995</u>
<u>\$1,090,455</u>	<u>\$3,784,987</u>	<u>\$3,269,030</u>	<u>\$43,842,333</u>

City of Gahanna, Ohio
Reconciliation Of The Statement Of Revenues, Expenditures And Changes
In Fund Balances Of Governmental Funds To The Statement Of Activities
For the Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$6,352,338

Amounts reported for governmental activities in the Statement Of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement Of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	3,587,750	
Construction In Progress Additions	7,645,809	
Depreciation	<u>(3,231,850)</u>	
Excess Of Capital Outlay Over Depreciation Expense		8,001,709

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement Of Activities, a gain or loss is reported for each sale:

Proceeds From Sale Of Capital Assets	(29,090)	
Loss On Disposal Of Capital Assets	<u>(81,937)</u>	
		(111,027)

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement Of Net Assets. In the current year, these amounts consist of:

General Obligation Bond Principal Payments	849,461	
OPWC Loan Principal Payments	95,714	
Capital Lease Principal Payments	<u>28,255</u>	
		973,430

Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:

Property Taxes	20,190	
Other Local Taxes	26,699	
Revenue In Lieu Of Taxes	(499,665)	
Municipal Income Taxes	676,406	
Charges For Services	(1,665)	
Licenses And Permits	3,900	
Fines And Forfeitures	157	
Interest	(68,132)	
Intergovernmental	<u>794,156</u>	
		952,046

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement Of Net Assets, the debt is reported as a liability.

Premium On General Obligation Bonds	(215,162)	
General Obligation Bonds Payable	(8,683,665)	
Accrued Wages Payable	<u>94,262</u>	
		(8,804,565)

Interest on long-term debt in the Statement Of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement Of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement Of Activities is the result of the following:

Increase In Accrued Interest	(30,318)	
Amortization Of Premium On General Obligation Bonds	18,730	
Amortization Of Bond Issuance Costs (Deferred Charges)	<u>(7,160)</u>	
		(18,748)

Some items reported as expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

These activities consist of:

Increase In Compensated Absences	(112,153)	
Increase In Compensatory Time Payable	<u>(19,931)</u>	
		(132,084)

Change In Net Assets Of Governmental Activities \$7,213,099

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual
(Non-GAAP Budgetary Basis)
General Fund
For The Year Ended December 31, 2007

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
<u>Revenues:</u>				
Property Taxes	\$1,557,935	\$1,488,105	\$1,514,519	\$26,414
Municipal Income Taxes	13,827,893	13,993,999	14,580,159	586,160
Other Local Taxes	770,083	845,737	881,162	35,425
Intergovernmental	2,025,622	4,757,019	4,992,192	235,173
Charges For Services	2,600,921	2,571,726	2,625,837	54,111
Licenses And Permits	407,685	457,888	477,067	19,179
Fines And Forfeitures	462,600	441,304	459,789	18,485
Investment Earnings	1,069,000	2,804,537	2,922,009	117,472
Rent	16,000	17,537	18,272	735
Contributions And Donations	5,000	4,289	4,150	(139)
Miscellaneous	21,580	643,737	672,488	28,751
<i>Total Revenues</i>	<u>22,764,319</u>	<u>28,025,878</u>	<u>29,147,644</u>	<u>1,121,766</u>
<u>Expenditures:</u>				
Current Operations And Maintenance:				
Security Of Persons And Property	7,326,800	7,411,571	7,177,215	234,356
Public Health	187,263	187,263	174,923	12,340
Leisure Time Activities	2,573,565	2,648,205	2,397,590	250,615
Community Development	4,708,275	5,295,411	5,161,831	133,580
Basic Utility Services	1,717,433	1,717,433	1,715,544	1,889
General Government	5,070,687	5,232,428	4,297,365	935,063
Transportation	2,019,082	3,222,222	1,806,963	1,415,259
Capital Outlay	13,499,048	21,794,229	21,026,339	767,890
Debt Service:				
Issuance Costs	0	72,303	72,303	0
<i>Total Expenditures</i>	<u>37,102,153</u>	<u>47,581,065</u>	<u>43,830,073</u>	<u>3,750,992</u>
Excess Of Revenues Under Expenditures	<u>(14,337,834)</u>	<u>(19,555,187)</u>	<u>(14,682,429)</u>	<u>4,872,758</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds Of General Obligation Bonds	0	6,389,391	6,663,665	274,274
Proceeds From Sale Of Capital Assets	10,000	28,828	29,090	262
Premium On Debt Issued	0	158,638	158,638	0
Advances In	0	1,200,000	1,200,000	0
Advances Out	0	(45,000)	(45,000)	0
Transfers In	870,000	1,928,963	10,000	(1,918,963)
Transfers Out	(1,855,604)	(2,229,368)	(2,154,281)	75,087
<i>Total Other Financing Sources (Uses)</i>	<u>(975,604)</u>	<u>7,431,452</u>	<u>5,862,112</u>	<u>(1,569,340)</u>
<i>Net Change In Fund Balance</i>	<u>(15,313,438)</u>	<u>(12,123,735)</u>	<u>(8,820,317)</u>	<u>3,303,418</u>
<i>Fund Balance At Beginning Of Year</i>	9,244,081	9,244,081	9,244,081	0
<i>Prior Year Encumbrances</i>	<u>15,366,639</u>	<u>15,366,639</u>	<u>15,366,639</u>	<u>0</u>
<i>Fund Balance At End Of Year</i>	<u>\$9,297,282</u>	<u>\$12,486,985</u>	<u>\$15,790,403</u>	<u>\$3,303,418</u>

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual
(Non-GAAP Budgetary Basis)
Street Maintenance And Repair Special Revenue Fund
For The Year Ended December 31, 2007

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	\$1,679,200	\$1,545,888	\$1,560,613	\$14,725
Investment Earnings	0	80,517	81,284	767
Miscellaneous	19,250	17,333	17,498	165
<i>Total Revenues</i>	<u>1,698,450</u>	<u>1,643,738</u>	<u>1,659,395</u>	<u>15,657</u>
<u>Expenditures:</u>				
Current Operations And Maintenance:				
Transportation	1,098,209	1,148,208	1,136,378	11,830
Capital Outlay	2,380,288	4,602,292	4,605,311	(3,019)
Debt Service:				
Issuance Costs	0	21,959	21,959	0
<i>Total Expenditures</i>	<u>3,478,497</u>	<u>5,772,459</u>	<u>5,763,648</u>	<u>8,811</u>
Excess Of Revenues Under Expenditures	<u>(1,780,047)</u>	<u>(4,128,721)</u>	<u>(4,104,253)</u>	<u>24,468</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds Of General Obligation Bonds	0	2,000,450	2,020,000	19,550
Premium On Debt Issued	0	51,959	51,959	0
Transfers In	0	118,868	120,000	1,132
Transfers Out	(301,585)	(302,871)	(302,871)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(301,585)</u>	<u>1,868,406</u>	<u>1,889,088</u>	<u>20,682</u>
<i>Net Change In Fund Balance</i>	(2,081,632)	(2,260,315)	(2,215,165)	45,150
<i>Fund Balance At Beginning Of Year</i>	538,442	538,442	538,442	0
<i>Prior Year Encumbrances</i>	<u>1,836,328</u>	<u>1,836,328</u>	<u>1,836,328</u>	<u>0</u>
<i>Fund Balance At End Of Year</i>	<u><u>\$293,138</u></u>	<u><u>\$114,455</u></u>	<u><u>\$159,605</u></u>	<u><u>\$45,150</u></u>

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual
(Non-GAAP Budgetary Basis)
Tax Increment Equivalent Special Revenue Fund
For The Year Ended December 31, 2007

	Original Budget	Revised Budget	Budgetary Actual	Variance Positive (Negative)
<u>Revenues:</u>				
Revenue In Lieu Of Taxes	\$831,575	\$1,002,505	\$1,552,505	\$550,000
Intergovernmental	0	49,649	49,649	0
<i>Total Revenues</i>	<u>831,575</u>	<u>1,052,154</u>	<u>1,602,154</u>	<u>550,000</u>
<u>Expenditures:</u>				
Current Operations And Maintenance:				
Security Of Persons And Property	181,564	206,564	204,380	2,184
Community Development	244,753	546,243	401,759	144,484
General Government	609,705	283,215	283,183	32
Capital Outlay	31,230	31,230	28,622	2,608
<i>Total Expenditures</i>	<u>1,067,252</u>	<u>1,067,252</u>	<u>917,944</u>	<u>149,308</u>
<i>Net Change In Fund Balance</i>	(235,677)	(15,098)	684,210	699,308
<i>Fund Balance At Beginning Of Year</i>	798,754	798,754	798,754	0
<i>Prior Year Encumbrances</i>	<u>96,978</u>	<u>96,978</u>	<u>96,978</u>	<u>0</u>
<i>Fund Balance At End Of Year</i>	<u><u>\$660,055</u></u>	<u><u>\$880,634</u></u>	<u><u>\$1,579,942</u></u>	<u><u>\$699,308</u></u>

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Fund Net Assets
Enterprise Funds
December 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<u>Assets:</u>				
<u>Current Assets:</u>				
Equity In Pooled Cash And Cash Equivalents	\$6,212,503	\$11,726,590	\$2,457,212	\$20,396,305
Accounts Receivable	792,876	1,510,200	174,591	2,477,667
Prepaid Items	2,625	3,139	0	5,764
Materials And Supplies Inventory	15,156	15,156	0	30,312
<i>Total Current Assets</i>	<u>7,023,160</u>	<u>13,255,085</u>	<u>2,631,803</u>	<u>22,910,048</u>
<u>Non-Current Assets:</u>				
Deferred Charges	3,655	3,655	20,886	28,196
Land And Construction In Progress	479,587	775,222	342,472	1,597,281
Depreciable Capital Assets, Net	24,563,270	15,340,972	10,007,024	49,911,266
<i>Total Non-Current Assets</i>	<u>25,046,512</u>	<u>16,119,849</u>	<u>10,370,382</u>	<u>51,536,743</u>
<i>Total Assets</i>	<u>32,069,672</u>	<u>29,374,934</u>	<u>13,002,185</u>	<u>74,446,791</u>
<u>Liabilities:</u>				
<u>Current Liabilities:</u>				
Accounts Payable	11,731	5,479	2,385	19,595
Contracts Payable	9,520	525	12,102	22,147
Accrued Wages Payable	11,524	11,524	7,036	30,084
Interfund Payable	0	0	45,000	45,000
Due To Other Governments	702,920	979,681	10,745	1,693,346
Accrued Interest Payable	2,312	1,337	8,679	12,328
Compensated Absences Payable	11,505	11,505	6,585	29,595
Compensatory Time Payable	4,755	4,755	2,329	11,839
General Obligation Bonds Payable	211,949	11,949	76,124	300,022
OPWC Loan Payable	0	10,564	0	10,564
<i>Total Current Liabilities</i>	<u>966,216</u>	<u>1,037,319</u>	<u>170,985</u>	<u>2,174,520</u>
<u>Long-Term Liabilities (Net Of Current Portion):</u>				
General Obligation Bonds Payable	341,597	341,597	2,222,248	2,905,442
OPWC Loan Payable	0	52,347	0	52,347
<i>Total Long-Term Liabilities</i>	<u>341,597</u>	<u>393,944</u>	<u>2,222,248</u>	<u>2,957,789</u>
<i>Total Liabilities</i>	<u>1,307,813</u>	<u>1,431,263</u>	<u>2,393,233</u>	<u>5,132,309</u>
<u>Net Assets:</u>				
Invested In Capital Assets, Net Of Related Debt	24,842,857	16,053,283	8,860,859	49,756,999
Unrestricted	5,919,002	11,890,388	1,748,093	19,557,483
<i>Total Net Assets</i>	<u>\$30,761,859</u>	<u>\$27,943,671</u>	<u>\$10,608,952</u>	<u>\$69,314,482</u>

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Revenues, Expenses And Changes In Fund Net Assets
Enterprise Funds
For The Year Ended December 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<u>Operating Revenues:</u>				
Charges For Services	\$4,243,182	\$7,941,555	\$902,136	\$13,086,873
Miscellaneous	46,136	0	0	46,136
<i>Total Operating Revenues</i>	<u>4,289,318</u>	<u>7,941,555</u>	<u>902,136</u>	<u>13,133,009</u>
<u>Operating Expenses:</u>				
Salaries	259,494	258,389	150,914	668,797
Fringe Benefits	114,741	114,610	63,919	293,270
Purchased Services	2,869,644	4,569,044	759,487	8,198,175
Materials And Supplies	149,200	25,194	1,001	175,395
Depreciation	667,092	434,714	216,864	1,318,670
Other Operating Expenses	103,519	112,150	52,059	267,728
<i>Total Operating Expenses</i>	<u>4,163,690</u>	<u>5,514,101</u>	<u>1,244,244</u>	<u>10,922,035</u>
Operating Income (Loss)	<u>125,628</u>	<u>2,427,454</u>	<u>(342,108)</u>	<u>2,210,974</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Revenue	6,433	6,433	36,735	49,601
Other Non-Operating Revenues	0	45,050	250	45,300
Interest And Fiscal Charges	(22,883)	(9,102)	(50,578)	(82,563)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(16,450)</u>	<u>42,381</u>	<u>(13,593)</u>	<u>12,338</u>
Income (Loss) Before Transfers	109,178	2,469,835	(355,701)	2,223,312
Transfers In	0	0	60,000	60,000
Transfers Out	(5,000)	(5,000)	0	(10,000)
<i>Change In Net Assets</i>	104,178	2,464,835	(295,701)	2,273,312
<i>Net Assets At Beginning Of Year - Restated (Note 3)</i>	<u>30,657,681</u>	<u>25,478,836</u>	<u>10,904,653</u>	<u>67,041,170</u>
<i>Net Assets At End Of Year</i>	<u>\$30,761,859</u>	<u>\$27,943,671</u>	<u>\$10,608,952</u>	<u>\$69,314,482</u>

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Cash Flows
Enterprise Funds
For The Year Ended December 31, 2007

	Water	Sewer	Storm Water	Total
<u>Increases (Decreases) In Cash And Cash Equivalents:</u>				
<u>Cash Flows From Operating Activities:</u>				
Cash Received From Customers	\$4,053,103	\$7,588,782	\$860,338	\$12,502,223
Cash Payments For Personal Services	(367,878)	(366,540)	(211,831)	(946,249)
Cash Payments To Suppliers For Goods And Services	(2,817,626)	(4,490,212)	(760,658)	(8,068,496)
Cash Payments For Other Operating Expenses	(111,419)	(150,774)	(54,522)	(316,715)
Other Operating Revenues	46,136	0	0	46,136
Other Non-Operating Revenues	0	0	250	250
Net Cash Provided By (Used For) Operating Activities	802,316	2,581,256	(166,423)	3,217,149
<u>Cash Flows From Noncapital Financing Activities:</u>				
Advances To Other Funds	0	0	(1,200,000)	(1,200,000)
Advances From Other Funds	0	0	45,000	45,000
Transfers To Other Funds	(5,000)	(5,000)	0	(10,000)
Transfers From Other Funds	0	0	60,000	60,000
Net Cash Provided By (Used For) Noncapital Financing Activities	(5,000)	(5,000)	(1,095,000)	(1,105,000)
<u>Cash Flows From Capital And Related Financing Activities:</u>				
Acquisition Of Capital Assets	(143,439)	(592,349)	(268,472)	(1,004,260)
Proceeds From Sale Of Capital Assets	0	45,050	0	45,050
Proceeds Of General Obligation Bonds	345,667	345,668	1,975,000	2,666,335
Premiums On General Obligation Bonds	8,082	8,081	46,423	62,586
Bond Issuance Costs On General Obligation Bonds	(3,749)	(3,749)	(21,423)	(28,921)
Principal Paid On General Obligation Bonds	(190,000)	0	(10,539)	(200,539)
Principal Paid On OPWC Loan	0	(10,204)	0	(10,204)
Interest And Fiscal Charges Paid On General Obligation Bonds	(22,566)	(5,404)	(43,587)	(71,557)
Interest And Fiscal Charges Paid On OPWC Loan	0	(2,470)	0	(2,470)
Net Cash Provided By (Used For) Capital And Related Financing Activities	(6,005)	(215,377)	1,677,402	1,456,020
<u>Cash Flows From Investing Activities:</u>				
Interest	6,433	6,433	36,735	49,601
Net Increase In Cash And Cash Equivalents	797,744	2,367,312	452,714	3,617,770
Cash And Cash Equivalents At Beginning Of Year	5,414,759	9,359,278	2,004,498	16,778,535
Cash And Cash Equivalents At End Of Year	\$6,212,503	\$11,726,590	\$2,457,212	\$20,396,305

(Continued)

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Statement Of Cash Flows
Enterprise Funds
For The Year Ended December 31, 2007
(Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<i>Reconciliation Of Operating Income (Loss) To</i>				
<i>Net Cash Provided By (Used For) Operating Activities:</i>				
Operating Income (Loss)	\$125,628	\$2,427,454	(\$342,108)	\$2,210,974
<i>Adjustments To Reconcile Operating Income (Loss) To</i>				
<i>Net Cash Provided By (Used For) Operating Activities:</i>				
Depreciation	667,092	434,714	216,864	1,318,670
Other Non-Operating Revenues	0	0	250	250
Changes In Assets And Liabilities:				
Increase In Accounts Receivable	(190,079)	(352,773)	(41,798)	(584,650)
Increase In Prepaid Items	(273)	(252)	0	(525)
Decrease In Materials And Supplies Inventory	1,122	1,122	0	2,244
Decrease In Accounts Payable	(30,744)	(11,953)	(2,563)	(45,260)
Increase In Accrued Wages Payable	2,217	2,268	1,596	6,081
Increase (Decrease) In Due To Other Governments	223,369	76,692	(142)	299,919
Increase In Compensated Absences Payable	2,515	2,515	1,143	6,173
Increase In Compensatory Time Payable	1,469	1,469	335	3,273
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$802,316</u>	<u>\$2,581,256</u>	<u>(\$166,423)</u>	<u>\$3,217,149</u>
See Accompanying Notes To The Basic Financial Statements				

City of Gahanna, Ohio
Statement Of Fiduciary
Assets And Liabilities
Agency Funds
December 31, 2007

Assets:

Equity In Pooled Cash And Cash Equivalents	\$1,203,795
Cash And Cash Equivalents In Segregated Accounts	<u>13,315</u>

Total Assets \$1,217,110

Liabilities:

Undistributed Assets	\$784,744
Deposits Held And Due To Others	<u>432,366</u>

Total Liabilities \$1,217,110

See Accompanying Notes To The Basic Financial Statements

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Gahanna (the “City”) is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council-administrator form of government, was adopted by the electorate June 27, 1961, and was completely renumbered by the Clerk of Council in January, 1992.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They comprise the City’s legal entity which provides various services including public safety, street maintenance, parks and recreation, senior services, and engineering. The City of Gahanna is also responsible for the construction, maintenance, and repairs associated with the water and sewer lines. The City purchases water and sewer treatment services. Council and the Mayor have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes. The City has no component units.

The City is a member of the Central Ohio Health Care Consortium (the “Pool”), a risk sharing pool which provides health insurance. The Pool, which commenced business on January 1, 1992, has five members consisting of various cities, villages and townships. The members originally entered into an irrevocable agreement to remain members of the Pool for a minimum of three years. This agreement was renewed for an additional three years on January 1, 2004, and again on January 1, 2007. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City has no ongoing financial responsibility other than the three year minimum membership. See Note 18.

The City participates in a joint operation with the Gahanna Jefferson Public School District. These organizations jointly operate a maintenance facility and fueling station. See Note 19.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 Pronouncements and Interpretations issued after November 30, 1989, to its business-type activities or enterprise funds. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Financial Statements

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the City: governmental, proprietary and fiduciary.

Governmental Funds

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

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

Street Maintenance and Repair Fund – This fund accounts for ninety-two and one-half percent of the State gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

Tax Increment Equivalent Fund – This fund accounts for annual service payments in lieu of taxes distributed to the City by the County Treasurer.

Bond Retirement Fund – This fund accounts for the resources that are used for payment of principal and interest and fiscal charges on general obligation debt and notes.

Capital Improvement Fund – This fund accounts for various road construction and improvement projects within the City. These projects are financed from local sources.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are enterprise funds.

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

Water Fund – This fund is used to account for the provision of water service to the residents and businesses within the City.

Sewer Fund – This fund is used to account for the provision of sanitary sewer service to the residents and businesses within the City.

Storm Water Fund – This fund is used to account for charges assessed to residents and businesses of the City for the improvement of the storm water system.

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. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds which are used to account for money held for other governments, compliance with building codes, and the distribution of mayor's court fines.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g, expenses) in total net assets.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Financial Statements

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

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: weed assessments, court fines, income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but were levied to finance 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Budgets And Budgetary Accounting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund, function and object level for all funds.

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

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

F. Cash And Cash Equivalents

To improve cash management, cash received by the City is pooled. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity In Pooled Cash And Cash Equivalents" on the financial statements. The City has permissive motor vehicle license monies which are held by the Franklin County Engineer and are distributed to the City for approved projects. The balance in this account is presented as "Cash And Cash Equivalents With Fiscal Agents". The City also has an escrow account to hold retainage amounts owed to contractors. The balance in this account is presented as "Restricted Assets: Cash And Cash Equivalents With Escrow Agents". The Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the Statement Of Fiduciary Assets And Liabilities as "Cash And Cash Equivalents In Segregated Accounts".

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

During the year, investments were limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidation Bonds, Federal Home Loan Bank Call Step Bonds, Federal National Mortgage Association Bonds, Federal National Mortgage Association Notes, Federal National Reserve Series 1989-27 Class Y GTD Pass Thru Certificate, Federal Farm Credit Bank Consolidation Bonds, Eaton Vance Prime Mutual Fund, Nationwide Platinum Annuity, negotiable certificates of deposit, and STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost. Mutual funds are reported at fair value which is determined by the mutual fund's current share price. The Nationwide Platinum Annuity is valued at cost, including accumulated interest to date.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2007. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio'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 Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2007 amounted to \$2,983,772, which includes \$1,580,491 assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

G. Materials And Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

I. Capital Assets

General capital assets are capital assets that are associated with governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the Governmental Activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the Business-Type Activities column of the government-wide Statement of Net Assets and in the respective funds.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

<u>Descriptions</u>	<u>Estimated Life</u>
Buildings	50 years
Improvements Other Than Buildings	20 years
Machinery And Equipment:	
Machinery And Equipment	3-30 years
Furniture And Fixtures	20 years
Computers	5 years
Vehicles	3-8 years
Infrastructure:	
Bridges And Culverts	50 years
Sidewalks	20 years
Streets And Curbs	20-30 years
Street Lighting	15 years
Traffic Control Lighting	10 years
Alleys, Fiber Optics, Etc.	20-65 years
Storm Water Lines	65 years
Water And Sewer Lines	65 years
Miscellaneous Water and Sewer Infrastructure	25-65 years

In the initial capitalization of general infrastructure assets, the City chose to include all such items regardless of their acquisition date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

J. Compensated Absences

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time and compensatory time when earned for all employees after one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

Compensatory time is accumulated by employees at the applicable overtime rate for each hour of overtime worked. The City will record the liability "Compensatory Time Payable" for the balance carried over at year-end. City employees must use their compensatory time balance that has been carried forward by the following year-end.

K. Accrued Liabilities And Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds, loans and capital leases are recognized as liabilities on the governmental fund financial statements when due.

L. Unamortized Bond Premiums And Bond Issuance Costs

Premiums and issuance costs for government-wide statements and enterprise fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

M. Reserves of Fund Balance

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

N. Fund Designations

Fund balance designations are established to indicate tentative planned expenditures of financial resources. A designation reflects the City's intentions and is subject to change. The designation is reported as part of unreserved fund balance. The designation represents monies set aside for the payment of accumulated vacation/sick leave balances upon separation from the City.

O. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

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

P. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivable" and "Interfund Payable." Interfund balances are eliminated on the government-wide Statement of Net Assets except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances."

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for recreational activities, improving the living environment of the City, the operation of police programs, and the City's street repair/improvement programs.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The government-wide Statement of Net Assets reports \$10,330,264 of restricted net assets, none of which is restricted by enabling legislation.

R. Operating Revenues And Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer and storm water utility services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

A. Changes In Accounting Principles

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment health care plans in the amount of \$280,934 and \$158,390, respectively, which are the same as the previously reported liabilities.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES AND NET ASSETS *(continued)*

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

B. Restatement Of Prior Year Fund Balances And Net Assets

For 2007, it was determined that accounts receivable was improperly recorded in relation to utility services provided by the City and that a receivable for tax increment financing agreements had failed to be calculated in the prior year. Also, it was determined that an interfund transaction was recorded in error in the prior year.

The effect of these changes resulted in the following restatement of fund balances and net assets:

	General	Tax Increment Equivalent
Fund Balances, December 31, 2006	\$25,128,922	\$846,670
Restatement Of Accounts Receivable	(137,566)	0
Restatement Of Revenue In Lieu Of Taxes Receivables	0	1,552,505
Restatement Of Interfund Receivable	1,200,000	0
Restatement Of Intergovernmental Receivable	0	49,649
Restatement Of Accounts Payable	0	(73,848)
Restatement Of Deferred Revenue	0	(1,602,154)
Fund Balances, December 31, 2006, As Restated	<u>\$26,191,356</u>	<u>\$772,822</u>

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCES AND NET ASSETS *(continued)*

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Net Assets, December 31, 2006	\$30,957,595	\$26,040,358	\$12,155,973	\$69,153,926
Restatement Of Accounts Receivable	(299,914)	(561,522)	(51,320)	(912,756)
Restatement Of Interfund Payable	0	0	(1,200,000)	(1,200,000)
Net Assets, December 31, 2006, as Restated	<u>\$30,657,681</u>	<u>\$25,478,836</u>	<u>\$10,904,653</u>	<u>\$67,041,170</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Assets, December 31, 2006	\$88,058,130	\$69,153,926	\$157,212,056
Restatement Of Accounts Receivable	(137,566)	(912,756)	(1,050,322)
Restatement Of Revenue In Lieu Of Taxes Receivable	1,552,505	0	1,552,505
Restatement Of Internal Balances	1,200,000	(1,200,000)	0
Restatement Of Intergovernmental Receivable	49,649	0	49,649
Restatement Of Accounts Payable	(73,848)	0	(73,848)
Net Assets, December 31, 2006, As Restated	<u>\$90,648,870</u>	<u>\$67,041,170</u>	<u>\$157,690,040</u>

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) is presented for the General Fund and the Street Maintenance and Repair and Tax Increment Equivalent Special Revenue Funds on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

- (e) Investments are reported at fair value (GAAP) rather than cost (budget).
- (f) Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and the Street Maintenance and Repair and Tax Increment Equivalent Special Revenue Funds are as follows:

Net Change in Fund Balance			
	General	Street Maintenance and Repair	Tax Increment Equivalent
GAAP Basis	\$5,479,571	\$931,610	\$553,268
<u>Increases (Decreases) Due To:</u>			
Revenue Accruals	201,139	(2,886)	0
Expenditure Accruals	68,667	(440,709)	272,881
Encumbrances Outstanding At Year-end (Budget Basis)	(15,206,432)	(2,705,667)	(141,939)
Unrecorded Cash - 2006	133,967	0	0
Unrecorded Cash - 2007	(399,143)	2,487	0
Change In Fair Value Of Investments - 2006	(252,281)	0	0
Change In Fair Value Of Investments - 2007	2,510	0	0
Transfers	(3,315)	0	0
Advances	1,155,000	0	0
Budget Basis	(\$8,820,317)	(\$2,215,165)	\$684,210

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active monies are public monies necessary to meet current demands on the treasury. Active monies must be maintained either as cash in the City's 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.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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

Interim monies 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;
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 (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

The City 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; and
3. Obligations of the City.

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. Investments may only be made through specified dealers and institutions.

Investments: As of December 31, 2007, the City had the following investments. All investments are in an internal investment pool.

	Investment Maturities (in Years)				Call Date
	Fair Value	Less than 1	1 - 2	2 - 5	
Federal Home Loan Mortgage Corporation Notes	\$4,605,046	\$339,500	\$1,367,294	\$2,898,252	1/09/08 to 11/28/08
Federal Home Loan Mortgage Corporation Bonds	2,921,348	0	0	2,921,348	10/15/08 to 12/15/08
Federal Home Loan Bank Bonds	3,143,794	713,252	856,244	1,574,298	2/25/2008 1/9/08 to
Federal Home Loan Bank Consolidation Bonds	4,999,254	623,595	74,985	4,300,674	9/19/08
Federal Home Loan Bank Call Step Bonds	1,650,842	1,500,935	0	149,907	3/30/2008 1/27/08 to
Federal National Mortgage Association Bonds	4,452,236	888,499	765,751	2,797,986	12/02/08 1/12/2008 to
Federal National Mortgage Association Notes	6,829,244	1,058,533	3,635,286	2,135,425	12/29/08
Federal National Reserve Series 1989-27 Class Y GTD Pass Thru Certificate	14,058	0	0	14,058	1/11/08 to
Federal Farm Credit Bank Consolidation Bonds	475,187	29,906	245,093	200,188	5/5/08
Eaton Vance Prime Mutual Fund	1,304,345	1,304,345	0	0	
Nationwide Platinum Annuity	940,529	940,529	0	0	
Negotiable Certificates of Deposits	420,713	420,713	0	0	
STAROhio	28,557,081	28,557,081	0	0	
Totals	<u>\$60,313,677</u>	<u>\$36,376,888</u>	<u>\$6,944,653</u>	<u>\$16,992,136</u>	

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Director of Finance, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the City, the City will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk: The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidation Bonds, Federal Home Loan Bank Call Step Bonds, Federal National Mortgage Association Bonds, Federal National Mortgage Association Notes, and Federal Farm Credit Bank Consolidation Bonds carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The Federal National Reserve Series 1989-27 Class Y GTD Pass Thru Certificate carries a rating of AAA by Standard and Poor's. The Eaton Vance Prime Mutual Fund, and the Nationwide Platinum Annuity carry a rating of AA by Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The City places no limit on the amount it may invest in any one issuer. The City's investments in Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidation Bonds, Federal National Mortgage Association Bonds, and Federal National Mortgage Association Notes represents 7.64 percent, 5.21 percent, 8.29 percent, 7.38 percent, and 11.32 percent, respectively, of the City's total investments.

NOTE 6 – MUNICIPAL INCOME TAX

The City levies and collects an income tax of one and one-half percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of eighty-three and one-third percent of the tax paid to another municipality that has a tax rate of one and one-half percent or less, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All proceeds go to the General Fund.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 7 – PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 7 – PROPERTY TAX (continued)

The full tax rate for all City operations for the year ended December 31, 2007, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$766,842,580
Commercial/Industrial/Mineral	158,292,160
Public Utility Real	19,040
Tangible Personal Property:	
General Business	11,683,301
Public Utility	10,352,920
Total Assessed Value	<u><u>\$947,190,001</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Gahanna. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. In governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2007, consisted of property, other local, revenue in lieu of, and income taxes, accounts, interfund, interest on investments, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes and income taxes. Water, sewer, and storm water charges receivable which, if delinquent, may be certified and collected as a special assessment, are subject to foreclosure for nonpayment. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 8 – RECEIVABLES (continued)

A summary of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities</u>	
Local Government	\$851,409
Clean Ohio Revitalization Grant	724,715
Gasoline/Cents Per Gallon Tax	567,360
Homestead And Rollback	132,507
Motor Vehicle License Tax	120,635
Permissive Tax	117,803
Ohio Department Of Development Grant	113,379
Estate Tax	112,232
Public Utilities Commission Of Ohio Grant	37,805
Liquor Permits	37,571
DARE Grant	23,140
Department Of Justice Bulletproof Vest Partnership Grant	8,000
United States Environmental Protection Agency Grant	6,934
Cooperative Agreement With City Of Columbus	6,050
Franklin County Auditor	2,235
Franklin County Clerk Of Courts	157
Franklin County Municipal Court	73
Total Intergovernmental Receivable	<u><u>\$2,862,005</u></u>

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2007, was as follows:

	Balance At 12/31/2006	Additions	Deletions	Balance At 12/31/2007
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$15,036,399	\$810,860	\$0	\$15,847,259
Construction In Progress	20,620,479	7,645,809	(9,374,776)	18,891,512
Total Capital Assets, Not Being Depreciated	35,656,878	8,456,669	(9,374,776)	34,738,771
Depreciable Capital Assets:				
Buildings	8,714,866	385,037	0	9,099,903
Improvements Other Than Buildings	5,078,110	34,982	0	5,113,092
Machinery And Equipment	5,158,991	959,674	(403,444)	5,715,221
Vehicles	3,015,340	531,314	(584,211)	2,962,443
Infrastructure:				
Bridges And Culverts	364,598	0	0	364,598
Sidewalks	2,954,264	0	0	2,954,264
Streets And Curbs	46,716,493	9,248,638	(232,781)	55,732,350
Street Lighting	1,741,798	17,230	0	1,759,028
Traffic Control Lighting	4,701,172	276,511	0	4,977,683
Alleys, Fiber Optics, Etc.	0	698,280	0	698,280
Total Depreciable Capital Assets	78,445,632	12,151,666	(1,220,436)	89,376,862
Less Accumulated Depreciation:				
Buildings	(2,384,664)	(165,854)	0	(2,550,518)
Improvements Other Than Buildings	(2,478,665)	(206,791)	0	(2,685,456)
Machinery And Equipment	(2,727,578)	(579,821)	328,807	(2,978,592)
Vehicles	(2,228,281)	(370,282)	547,821	(2,050,742)
Infrastructure:				
Bridges And Culverts	(25,339)	(7,293)	0	(32,632)
Sidewalks	(2,191,659)	(92,079)	0	(2,283,738)
Streets And Curbs	(32,955,492)	(1,340,201)	232,781	(34,062,912)
Street Lighting	(1,330,567)	(74,359)	0	(1,404,926)
Traffic Control Lighting	(3,610,605)	(387,582)	0	(3,998,187)
Alleys, Fiber Optics, Etc.	0	(7,588)	0	(7,588)
Total Accumulated Depreciation	(49,932,850)	(3,231,850)	1,109,409	(52,055,291)
Depreciable Capital Assets, Net	28,512,782	8,919,816	(111,027)	37,321,571
Governmental Activities Capital Assets, Net	\$64,169,660	\$17,376,485	(\$9,485,803)	\$72,060,342

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 9 – CAPITAL ASSETS (continued)

	Balance At 12/31/2006	Additions	Deletions	Balance At 12/31/2007
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$39,210	\$0	\$0	\$39,210
Construction In Progress	2,334,712	340,275	(1,116,916)	1,558,071
Total Capital Assets, Not Being Depreciated	2,373,922	340,275	(1,116,916)	1,597,281
Depreciable Capital Assets:				
Buildings	991,000	0	0	991,000
Improvements Other Than Buildings	55,800	0	0	55,800
Machinery And Equipment	646,677	205,131	(73,162)	778,646
Vehicles	275,606	236,084	0	511,690
Infrastructure:				
Storm Sewer Lines	12,814,401	310,981	0	13,125,382
Water Lines	38,931,923	379,607	0	39,311,530
Miscellaneous Water Infrastructure	0	23,784	0	23,784
Sewer Lines	23,068,986	446,257	0	23,515,243
Miscellaneous Sewer Infrastructure	0	3,000	0	3,000
Total Depreciable Capital Assets	76,784,393	1,604,844	(73,162)	78,316,075
Less Accumulated Depreciation:				
Buildings	(330,171)	(28,458)	0	(358,629)
Improvements Other Than Buildings	(7,065)	(2,790)	0	(9,855)
Machinery And Equipment	(252,837)	(60,966)	73,162	(240,641)
Vehicles	(32,391)	(55,355)	0	(87,746)
Infrastructure:				
Storm Sewer Lines	(3,071,802)	(197,010)	0	(3,268,812)
Water Lines	(14,981,602)	(612,576)	0	(15,594,178)
Miscellaneous Water Infrastructure	0	(271)	0	(271)
Sewer Lines	(8,483,433)	(361,209)	0	(8,844,642)
Miscellaneous Sewer Infrastructure	0	(35)	0	(35)
Total Accumulated Depreciation	(27,159,301)	(1,318,670)	73,162	(28,404,809)
Depreciable Capital Assets, Net	49,625,092	286,174	0	49,911,266
Business-Type Activities Capital Assets, Net	\$51,999,014	\$626,449	(\$1,116,916)	\$51,508,547

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 9 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental programs as follows:

Security Of Persons And Property	\$383,940
Leisure Time Activities	237,197
Community Development	243,088
General Government	291,076
Transportation	2,076,549
Total Depreciation Expense	<u><u>\$3,231,850</u></u>

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions, plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 10 – DEFINED BENEFIT PENSION PLANS *(continued)*

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, 2008, a portion of the City's contribution equal to five percent of covered payroll was allocated to fund post-employment health care plan; for the period July 1 through December 31, 2007, this amount was increased to six percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$624,225, \$549,913, and \$525,182, respectively; 60.32 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$25,729 made by the City and \$17,648 made by the plan members.

B. Ohio Police And Fire Pension Fund

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers. The City has no firefighters. Contributions are authorized by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police were \$591,471 for the year ended December 31, 2007, \$465,270 for the year ended December 31, 2006, and \$463,228 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 73.79 percent for police officers has been contributed for 2007.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005, were \$477,114, \$268,979, and \$219,971, respectively; 60.32 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which 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

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

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

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent of covered payroll for police. The City of Gahanna has no fire personnel.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2007, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to the OP&F which are allocated to fund post-employment health care benefits for police were \$313,132 for the year ended December 31, 2007, \$306,880 for the year ended December 31, 2006, and \$305,533 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 73.79 percent has been contributed for police for 2007.

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences

Vacation leave is earned bi-weekly at a rate which varies depending upon length of service and standard work week. Current policy allows the unused balance to be accumulated at levels which depend upon negotiated agreements. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned bi-weekly at variable rates based on years of service worked and can be accumulated without limit. Each employee with the City is paid, according to their contract, a portion of their earned unused sick leave upon termination from the City. In lieu of payment, an employee may elect to transfer the full balance or a portion of earned unused sick leave to another governmental agency. In the event that an employee dies as the result of injuries sustained on the job, his or her estate will be paid the total allowable amount of all earned unused sick leave.

City employees working in excess of designated work hours are entitled to either overtime pay or compensatory time according to the Fair Labor Standards Act. Employees may elect to receive compensatory time in lieu of overtime pay. Compensatory time must be used within time limits established by the negotiated agreements. Current policy allows accumulation of compensatory time to levels in the negotiated agreements.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 12 – EMPLOYEE BENEFITS *(continued)*

B. Deferred Compensation Plan

Employees of the City may elect to participate in the ING Life Insurance and Annuity Company Plan, or the Ohio Public Employees Deferred Compensation Program created in accordance with Internal Revenue Code Section 457. Under these programs, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and State income taxation until actually received by the employee. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

C. Health Care Benefits

The City provides health care benefits through the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool that provided basic hospital, surgical and prescription drug coverage. See Note 18 for further information. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. For those employees covered under the labor contract with United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International (USW), the City provides health care, dental, and vision insurance coverage through the Steelworker Health and Welfare Plan. Life insurance for employees covered under the labor contract with USW is provided by the Standard Insurance Company.

NOTE 13 – CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City has entered into capitalized leases for copier equipment and a mail machine. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “*Accounting for Leases*”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 13 – CAPITAL LEASES - LESSEE DISCLOSURE *(continued)*

The copier equipment and mail machine have been capitalized at \$125,052. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2007 totaled \$28,255 in the governmental funds.

The assets acquired through capital leases as of December 31, 2007, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Leased Equipment	\$125,052	\$51,485	\$73,567

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

Year Ending December 31,	Payments
2008	\$34,056
2009	34,056
2010	13,722
Total	81,834
Less: Amount Representing Interest	(6,241)
Present Value of Minimum Lease Payments	\$75,593

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

A. Bonded Debt And Other Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2007, was as follows:

Types / Issues	Balance 12/31/2006	Issued	Retired	Balance 12/31/2007	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
Water Fund					
1994 - Star Bank Series 4.0% to 5.85%	\$390,000	\$0	\$190,000	\$200,000	\$200,000
2007 - Various Purpose					
Serial Bonds 3.76% to 4.6%	0	345,667	0	345,667	11,949
Premium on Bonds Issued	0	8,082	203	7,879	0
Sewer Fund					
2007 - Various Purpose					
Serial Bonds 3.76% to 4.6%	0	345,668	0	345,668	11,949
Premium on Bonds Issued	0	8,081	203	7,878	0
Storm Water Fund					
2005 - Creekside Phase II And Morrison Road					
Serial Bonds 3.25% to 5.0%	288,650	0	10,539	278,111	11,124
2007 - Various Purpose					
Serial Bonds 3.76% to 4.6%	0	1,975,000	0	1,975,000	65,000
Premium on Bonds Issued	0	46,423	1,162	45,261	0
Total General Obligations Bonds	<u>678,650</u>	<u>2,728,921</u>	<u>202,107</u>	<u>3,205,464</u>	<u>300,022</u>
<u>Other Long-Term Obligations</u>					
1996 - OPWC Loan 3.5 %	73,115	0	10,204	62,911	10,564
Compensated Absences Payable	23,422	43,211	37,038	29,595	29,595
Total Other Long-Term Obligations	<u>96,537</u>	<u>43,211</u>	<u>47,242</u>	<u>92,506</u>	<u>40,159</u>
Total Business-Type Activities	<u>\$775,187</u>	<u>\$2,772,132</u>	<u>\$249,349</u>	<u>\$3,297,970</u>	<u>\$340,181</u>

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

Types / Issues	Balance 12/31/2006	Issued	Retired	Balance 12/31/2007	Due Within One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
1994 - Star Bank Series 4.0% to 5.85%	\$1,000,000	\$0	\$490,000	\$510,000	\$510,000
2005 - Creekside Phase II And Morrison Road					
Serial Bonds 3.25% to 5.0%	9,871,350	0	359,461	9,511,889	373,876
Term Bonds 4.25%	3,185,000	0	0	3,185,000	0
Premium On Bonds Issued	319,296	0	13,350	305,946	0
2007 - Various Purpose					
Serial Bonds 3.76% to 4.6%	0	8,683,665	0	8,683,665	261,102
Premium On Bonds Issued	0	215,162	5,380	209,782	0
Total General Obligation Bonds	14,375,646	8,898,827	868,191	22,406,282	1,144,978
<u>Other Long-Term Obligations</u>					
2006 - OPWC Loan 0%	957,137	0	95,714	861,423	95,714
Compensated Absences	1,790,645	633,262	521,109	1,902,798	655,642
Capital Lease	103,848	0	28,255	75,593	30,091
Total Other Long-Term Obligations	2,851,630	633,262	645,078	2,839,814	781,447
Total Governmental Activities	\$17,227,276	\$9,532,089	\$1,513,269	\$25,246,096	\$1,926,425

The City's overall legal debt margin was \$78,139,123, with an unvoted debt margin of \$30,779,623 at December 31, 2007.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

Annual debt service requirements to maturity for general obligation bonds and OPWC loans for business-type activities are:

<i>Year</i>	<i>Business-Type Activities</i>							
	<i>Water General</i>		<i>Sewer General</i>		<i>Stormwater General</i>		<i>Sewer OPWC Loan</i>	
	<i>Obligation Bonds</i>		<i>Obligation Bonds</i>		<i>Obligation Bonds</i>			
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2008	\$211,949	\$21,898	\$11,949	\$16,048	\$76,124	\$104,140	\$10,564	\$2,110
2009	11,949	15,540	11,949	15,540	76,124	101,016	10,936	1,737
2010	11,949	15,032	11,949	15,032	81,710	97,891	11,323	1,351
2011	12,802	14,525	12,803	14,525	81,710	94,535	11,723	951
2012	12,802	13,980	12,803	13,980	87,295	91,151	12,137	537
2013-2017	74,253	61,124	74,256	61,124	499,674	397,737	6,228	109
2018-2022	93,032	43,306	93,031	43,306	612,240	277,620	0	0
2023-2027	116,931	18,094	116,928	18,094	738,234	111,192	0	0
Totals	<u>\$545,667</u>	<u>\$203,499</u>	<u>\$345,668</u>	<u>\$197,649</u>	<u>\$2,253,111</u>	<u>\$1,275,282</u>	<u>\$62,911</u>	<u>\$6,795</u>

Annual debt service requirements to maturity for governmental long-term obligations are:

<i>Year</i>	<i>Serial</i>		<i>Term</i>		<i>OPWC</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Loan</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>
2008	\$1,144,978	\$993,537	\$0	\$0	\$95,714
2009	649,978	940,456	0	0	95,714
2010	659,392	916,719	0	0	95,714
2011	727,685	892,629	0	0	95,714
2012	757,100	2,739,962	0	0	95,714
2013-2017	4,266,817	3,940,989	0	0	382,853
2018-2022	5,346,697	2,926,836	0	0	0
2023-2027	5,152,907	1,365,942	1,195,000	245,863	0
2028-2030	0	0	1,990,000	171,487	0
Totals	<u>\$18,705,554</u>	<u>\$14,717,070</u>	<u>\$3,185,000</u>	<u>\$417,350</u>	<u>\$861,423</u>

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

The term bonds, issued at \$3,185,000, maturing on December 1, 2026 to December 1, 2030 are subject to redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective amounts as follows:

Year Ending December 31,	Amount
2026	\$585,000
2027	610,000
2028	635,000
2029	665,000
2030	690,000
Total	<u>\$3,185,000</u>

B. General Obligation Bonds

During 1994, the City issued \$4,105,000 in general obligation bonds to provide funds for the acquisition and construction of major capital facilities and the refinancing of bond anticipation notes. General obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 15 year serial bonds and are paid with property taxes from the Debt Service Fund.

During 1994, the City issued \$1,505,000 in general obligation bonds for the purpose of replacing and constructing water and sewer lines. Enterprise obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 15 year serial bonds and are paid from revenues from the operations of the water and sewer systems.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

During 2005, the City issued \$13,700,000 in general obligation bonds to provide funds for the infrastructure improvements of Morrison Road and the construction and improvements of Creekside. \$13,401,397 was issued as governmental activities general obligation bonds and \$298,603 was issued as enterprise obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. The City obtained a financial guarantee insurance policy from Ambac Assurance Corporation (Ambac) to insure the payment of the principal and interest on the bonds when due. These bonds are 20 year serial bonds with varying amounts of principal maturing each year and a 25 year term bond. Bond payments relating to the governmental activities general obligation bonds are paid with property taxes from the Debt Service Fund as well as other non-income tax revenues. Bond payments relating to the enterprise general obligation bonds are paid from revenues from the operations of the storm water system. As of December 21, 2007, \$12,599,691 of the governmental activities bond proceeds had been spent toward the project, while the full amount of the enterprise bond proceeds had been spent.

During 2007, the City issued \$11,350,000 in general obligation bonds for various purposes including park improvements, street improvements, Broadband strategic plan development, infrastructure improvements, and storm water system improvements. \$8,683,665 was issued as governmental activities general obligation bonds and \$2,666,335 was issued as enterprise obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. The City obtained a financial guarantee insurance policy from MBIA Insurance Corporation (MBIA) to insure the payment of the principal and interest on the bonds when due. These bonds are 20 year serial bonds with varying amounts of principal maturing each year. Bond payments relating to the governmental activities general obligation bonds are paid with property taxes from the Debt Service Fund as well as other non-income tax revenues. Bond payments relating to the enterprise general obligation bonds are paid from revenues from the operations of the water, sewer, and storm water systems. As of December 21, 2007, \$1,253,636 of the governmental activities bond proceeds had been spent toward the project, while \$1,223,465 of the enterprise bond proceeds had been spent.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

C. Ohio Public Works Commission (OPWC) Loans

The 1996 OPWC loan consists of \$181,202 borrowed from the Ohio Public Works Commission for various construction projects within the City. The 20 year loan is payable from gross revenues of the Sewer Enterprise Fund.

The 2006 OPWC Loan consists of \$957,137 borrowed from the Ohio Public Works Commission for the widening of Hamilton Road. The 10 year loan is payable with property taxes from the Debt Service Fund. As of year-end, all loan proceeds had been spent.

D. Compensated Absences / Capital Leases

Compensated absences will be paid from the General, Street Maintenance and Repair, State Highway, Storm Water, Water and Sewer Funds. Capital leases are paid from the General Fund.

NOTE 15 – CONSTRUCTION COMMITMENTS

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2007, the significant outstanding construction commitments were:

Project	Contract Amount	Amount Completed	Balance At 12/31/2007
Gahanna Creekside LLC	\$18,239,489	\$16,334,170	\$1,905,319
Hamilton Road	8,671,043	8,329,263	341,780
Morrison Road - Phase II	3,098,835	2,567,705	531,130
Tech Center Drive	2,658,987	388,936	2,270,051
Hannah Park Construction	2,500,000	263,389	2,236,611
Bedford Landfill Cleanup	1,200,000	741,031	458,969
I-270 Ramp Modifications	1,124,707	232,148	892,559
US 62/Hamilton Road Fiber Project	564,780	559,268	5,512
Central Corridor Development	500,000	11,500	488,500
Ogden Alley Sanitary Sewer	442,103	381,749	60,354
Foxwood/Rice Avenue Project	300,001	25,006	274,995
Morse/US 62 Sanitary Sewer Project	278,000	0	278,000
Irrigation/Drainage at Golf Course	222,426	219,758	2,668
Friendship Park Shelter House	220,941	182,393	38,548

(continued)

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 15 – CONSTRUCTION COMMITMENTS *(continued)*

Project	Contract Amount	Amount Completed	Balance At 12/31/2007
Ogden Alley Rebuild	\$217,343	\$204,922	\$12,421
Prince of Wales Reconstruction	213,269	200,304	12,965
Police Department Building Renovations	176,727	141,408	35,319
Jensen Park Master Meter Project	175,000	6,160	168,840
Hamilton/Granville Intersection Improvements	164,930	127,114	37,816
Mill Street/Walnut Street Signal	154,071	144,579	9,492
2007 Playground Improvements	149,094	69,256	79,838
Woodside Green Shelter Roofing Project	122,000	54,708	67,292
2007 Mill Street Improvement Project	108,613	49,998	58,615
Recreation Trails Project	101,350	78,240	23,110
Manhole Rehabilitation	100,000	0	100,000
City Hall Building Renovations	95,949	61,237	34,712
Friendship Park Engineering and Storm Drainage Project	71,742	48,376	23,366
Pizzuro Dog Park	64,869	24,369	40,500
Whiteboard Wireless Project	63,524	23,951	39,573
Hamilton Road Landscaping	47,389	39,535	7,854
Big Walnut Restoration	42,156	36,462	5,694
911 Wireless Mapping Project	40,000	9,451	30,549
Worman Drive Storm Sewer Extension Project	35,000	31,218	3,782
Creekside Valve Repair	32,325	18,350	13,975
McKenna Creek Watershed Study	31,500	22,500	9,000
Claycraft/Morrison Drainage Project	29,000	18,779	10,221
East Johnstown Road Sewer	27,400	21,920	5,480
Magna Quad Meter Project	25,980	12,990	12,990
Zubrod Heights Waterline Improvement	22,500	7,875	14,625
West Gahanna Sanitary Sewer Study	22,500	0	22,500
Big Walnut/Mill Race Restoration	18,069	13,954	4,115
Relocation of Highmeadow Waterline	16,500	5,500	11,000
Golf Course Repair	4,067	2,358	1,709
Total	<u>\$42,394,179</u>	<u>\$31,711,830</u>	<u>\$10,682,349</u>

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 16 – RISK MANAGEMENT

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability insurance and police professional liability insurance. The City also carries public officials liability insurance. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

NOTE 17 – INTERFUND TRANSFERS

Interfund balances at December 31, 2007, consisted of the General Fund advancing the Storm Water Fund \$45,000. The General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences of receipts. All advances will be reimbursed when funds become available.

Transfers made during the year ended December 31, 2007, were as follows:

		Transfers To						Total
		General	Street Maintenance and Repair	Bond Retirement	Capital Improvement	Nonmajor Funds	Storm Water	
Transfers From	General	\$0	\$120,000	\$1,130,291	\$133,295	\$707,380	\$60,000	\$2,150,966
	Street Maintenance and Repair	0	0	302,871	0	0	0	302,871
	Water	5,000	0	0	0	0	0	5,000
	Sewer	5,000	0	0	0	0	0	5,000
	Total	\$10,000	\$120,000	\$1,433,162	\$133,295	\$707,380	\$60,000	\$2,463,837

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfers from the Water and Sewer Funds to the General Fund were made for future severance payments. The transfers from the General and Street Maintenance and Repair Funds to the Bond Retirement Fund were made to service annual debt payments.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 18 – SHARED RISK POOL

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of five political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The City pays monthly contributions to the Consortium, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board.

The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the Pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$175,000 per claim per year, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$7,350,026 to a maximum of \$2,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

NOTE 19 – UNDIVIDED INTEREST

On February 21, 1996, a contract was entered into between the Gahanna Jefferson Public School District (the “District”) and the City of Gahanna to construct and operate a vehicle maintenance facility and fueling station. Based on the terms of the agreement, the entities equally bear the cost related to the construction and maintenance of the facility. In addition, the City received a credit of \$93,980 on the construction and maintenance of this facility, representing the fair value of the 4.699 acres of land that the City deeded to the District for this project. The City’s undivided interest in this facility is being shown as a capital asset in the government-wide financial statements.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 20 – CAPITAL LEASE RECEIVABLE

City-owned land is leased to twenty companies: Harold-Winfred Hill, Bailey Leather Company, C. and P. Company, B. G. and H. Investment Company, H. and G. Realty, Ball and Galloway, R. and M. Mstivi, Harry Bott, Sylvania L. and B. Company, S. and D. Mueller, B. and V. Decker, J. and D. Hbener, E. and P. Stinson and G. and D. Chadwick, A. S. and D. Mueller, B. and J. Smith, M. and S. Craft, Restaurant Food Supply, Eastgate Properties, Tagg-Marr-Rear, and Contemporary Construction.

The lease period is thirty years. At the conclusion of the lease period, the companies may purchase the leased properties for \$100. The City has classified these agreements as capital leases. The lease payments to the City are paid into the Miscellaneous Lease Receipts Special Revenue Fund. On a full accrual basis, the amount of the receivable that has been earned is recorded as revenue.

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$257,575
2009	89,406
2010	48,063
2011	30,188
2012	16,428
2013-2017	24,610
Total Lease Receivable	<u>\$466,270</u>

NOTE 21 – CONTINGENT LIABILITIES

A. Litigation

The City of Gahanna is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal And State Grants

For the period January 1, 2007, to December 31, 2007, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

City of Gahanna, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2007

NOTE 22 – SUBSEQUENT EVENTS

On June 19, 2008, Moody's Investors Service (Moody's) downgraded the insured rating on the 2005 general obligation bonds from AAA to Aa2. This downgrade came as the result of the insured rating of Ambac being reduced by Fitch and Standard and Poor's. The underlying rating on the 2005 general obligation bonds was unaffected and remains at Aa2.

On June 19, 2008, Moody's Investors Service (Moody's) downgraded the insured rating on the 2007 general obligation bonds from AAA to AA. This downgrade came as the result of the insured rating of MBIA being reduced by Fitch and Standard and Poor's. The underlying rating on the 2007 general obligation bonds was unaffected and remains at AA.



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

Members of Council and Mayor
City of Gahanna
200 South Hamilton Road
Gahanna, Ohio 43230

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 City of Gahanna, Franklin County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Gahanna's basic financial statements, and have issued our report thereon dated September 30, 2008. As disclosed in Note 3, the City of Gahanna has reported prior period adjustments in net assets and fund balances reported at December 31, 2006 in relation to interfund transactions, receivables for utility services and tax increment financing agreements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gahanna's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gahanna's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Gahanna'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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 City of Gahanna's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Gahanna's financial statements that is more than inconsequential will not be prevented or detected by the City of Gahanna's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as 2007-COG-001, 2007-COG-002 and 2007-COG-003.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Gahanna's internal control.

Members of Council and Mayor
City of Gahanna

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-COG-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gahanna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Gahanna in a separate letter dated September 30, 2008.

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

This report is intended solely for the information of the City of Gahanna and its management, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
September 30, 2008

**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

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

Finding Number	2007-COG-001
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Significant Deficiency/Material Weakness

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accounts, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered to be significant deficiencies and/or material weaknesses.

The City did not maintain sufficient controls in place to report financial data for accounts receivable in relation to utilities services provided, receivables for tax increment financing agreements and interfund transactions.

The compilation and presentation of financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason.

In either case, it is important that control procedures are developed related to drafting financial statements and footnotes that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. In addition, management should not rely on its auditors to perform this control procedure as auditors must remain independent.

We recommend the City implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatement or oversights in the financial statements and footnotes. We further recommend that the Director of Finance review in detail with the consultant (if applicable) the financial report and notes to those financial statements to insure proper inclusion of activities in the City's financial statements and notes.

Client Response: The City has implemented internal control procedures to address this issue regarding receivables and interfund transactions. The City will take a more active role in reviewing information that is contracted out.

Finding Number	2007-COG-002
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Significant Deficiency

The City did not have reconciled bank statements at December 31, 2007 to the books until September 2008. The City completed and provided reconciled bank statements from January 2007 through March 2008.

**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2007-COG-002 – (Continued)

Unreconciled bank accounts are a significant control failure in the City’s internal control system.

All bank accounts need to be reconciled to the books each month on a timely basis in order to identify any discrepancies in City postings and/or bank postings.

We recommend the City continue reconciling and remain current. We recommend that these bank reconciliations be presented to the Council in a timely manner.

Client response: The City began using a new computer system software January 1, 2007 for its budgetary activities, with the payroll module implemented in October 2007 and the utility system activities module implemented in August 2007. The reconciliation was current and accurate and in full through September 2007. Once the payroll module went live, reconciling difficulties arose due to the nature of the new system and the flow of information. The City has since been able to reconcile and modify its controls and procedures in order to maintain timely and more accurate reconciliations on a monthly basis.

Finding Number	2007-COG-003
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Significant Deficiency

Requirements are that an accurate annual GAAP report is submitted by the May 31, 2008 deadline. This report submitted should also be submitted to audit along with any supporting documentation in order for the audit to take place promptly in order to meet its filing deadline with Auditor of State Quality Assurance division as well as state and federal guidelines.

The City lacks controls over timely and accurate financial reports. The City hired an outside consulting firm to prepare its annual GAAP basis financial statements and a report was filed to meet the May 31, 2008 deadline; however, the final compiled GAAP report was not presented to audit to perform its final audit procedures until August 2008.

Untimely and unauditible GAAP financial statements inhibit the City’s reporting to its citizens.

We recommend the City management take a more active role in overseeing the timeliness of the financial reporting process. We further recommend that they evaluate steps necessary to ensure financial reports and supporting documentation is submitted to its auditors in a timely manner. This will help ensure that reports are audited and available to the public in a timelier manner.

Client’s Response: The Director of Finance is aware of the requirements and is making an effort to be more timely for its 2008 annual audited financial statements.



Mary Taylor, CPA
Auditor of State

CITY OF GAHANNA

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2008**