

**VILLAGE OF CANAL WINCHESTER
FRANKLIN COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2010

NANISA OSBORN, FINANCE DIRECTOR



Dave Yost • Auditor of State

Village Council
Village of Canal Winchester
36 South High Street
Canal Winchester, Ohio 43110

We have reviewed the *Independent Auditor's Report* of the Village of Canal Winchester, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

July 8, 2011

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**VILLAGE OF CANAL WINCHESTER
FRANKLIN COUNTY, OHIO**

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Julian & Grube, Inc.
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Independent Auditor's Report

Members of Council and Mayor
Village of Canal Winchester
Franklin County
36 South High Street
Canal Winchester, Ohio 43110-1213

To the Members of Council and Mayor:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Canal Winchester, Franklin County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Village of Canal Winchester's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Canal Winchester's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Canal Winchester, Franklin County, Ohio, as of December 31, 2010 and the respective changes in cash financial position and where applicable cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

Members of Council and Mayor
Village of Canal Winchester
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2011, on our consideration of the Village of Canal Winchester's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
April 22, 2011

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

The management's discussion and analysis of the Village of Canal Winchester's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2010, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The total net cash assets of the Village increased \$444,152. Net cash assets of governmental activities increased \$20,240, which represents a 0.61% increase over fiscal year 2009. Net cash assets of business-type activities increased \$423,912 or 6.79% from fiscal year 2009.
- General cash receipts accounted for \$6,632,106 or 85.05% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,165,945 or 14.95% of total governmental activities cash receipts.
- The Village had \$7,758,821 in cash disbursements related to governmental activities; \$1,165,945 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$6,632,106 were adequate to provide for these programs.
- The Village's major governmental funds are the general fund and the debt service fund. The general fund, the Village's largest major fund, had cash receipts and other financing sources of \$5,332,722 in 2010. The cash disbursements and other financing uses of the general fund, totaled \$5,267,828 in 2010. The general fund's cash balance increased \$64,894 from 2009 to 2010.
- The debt service fund, a Village major fund, had other financing sources of \$3,021,785 in 2010. The debt service fund had cash disbursements of \$3,002,980 in 2010. The debt service fund cash balance increased \$18,805 from 2009 to 2010.
- The Village's major business-type activities funds are the water fund and the sewer fund. Net cash assets for the water fund decreased in 2010 by \$18,721 or 0.78%. The net cash assets for the sewer fund increased in 2010 by \$351,154 or 9.90%.

Using these Cash Basis Basic Financial Statements (BFS)

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

The statement of net assets – cash basis and statement of activities – cash basis provide information about the activities of the whole Village, presenting an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Village, there are two major governmental funds. The general fund is the largest major fund.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets – cash basis and the statement of activities – cash basis answer the question, How did we do financially during 2010? These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The statement of net assets – cash basis and the statement of activities – cash basis can be found on pages 14-16 of this report.

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

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

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 17-18 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statement can be found on page 19 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its water, sewer, and storm water operations. The enterprise fund statements can be found on pages 20-21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund type is agency funds. Only the cash held at year end for the agency funds is reported on page 22.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-41 of this report.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Government-Wide Financial Analysis

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

The table below provides a summary of the Village's net cash assets at December 31, 2010 and 2009:

	Net Cash Assets					
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 3,320,720	\$ 6,664,110	\$ 3,300,030	\$ 6,240,198	\$ 9,984,830	\$ 9,540,228
Total assets	<u>3,320,720</u>	<u>6,664,110</u>	<u>3,300,030</u>	<u>6,240,198</u>	<u>9,984,830</u>	<u>9,540,228</u>
<u>Net cash assets</u>						
Restricted	672,044	-	716,698	-	672,044	716,698
Unrestricted	<u>2,648,266</u>	<u>6,664,110</u>	<u>2,583,332</u>	<u>6,240,198</u>	<u>9,312,376</u>	<u>8,823,530</u>
Total net cash assets	<u>\$ 3,320,310</u>	<u>\$ 6,664,110</u>	<u>\$ 3,300,030</u>	<u>\$ 6,240,198</u>	<u>\$ 9,984,420</u>	<u>\$ 9,540,228</u>

The total net cash assets of the Village increased \$444,152 or 4.66%. Net cash assets of governmental activities increased \$20,240, which represents a 0.61% increase over fiscal year 2009. Net cash assets of business-type activities increased \$423,912 or 6.79% from fiscal year 2009.

The balance of government-wide unrestricted net cash assets of \$2,648,226 may be used to meet the government's ongoing obligations to citizens and creditors.

VILLAGE OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The table below shows the changes in net cash assets for fiscal years 2010 and 2009.

	Change in Net Cash Assets					
	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	2009 Total
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 804,857	\$ 3,161,961	\$ 864,006	\$ 3,103,270	\$ 3,966,818	\$ 3,967,276
Operating grants and contributions	357,338	-	373,731	-	357,338	373,731
Capital grants and contributions	3,750	-	297,316	-	3,750	297,316
Total program cash receipts	1,165,945	3,161,961	1,535,053	3,103,270	4,327,906	4,638,323
General cash receipts:						
Property and other taxes	443,028	-	461,000	-	443,028	461,000
Income tax	3,675,656	-	3,432,212	-	3,675,656	3,432,212
Unrestricted grants	315,934	-	288,645	-	315,934	288,645
Sale of assets	500	-	700	-	500	700
Sale of notes	2,000,000	-	2,000,000	-	2,000,000	2,000,000
OPWC loans	-	-	235,516	-	-	235,516
Premium on notes	12,340	-	9,820	-	12,340	9,820
Investment earnings	85,232	-	117,311	-	85,232	117,311
Other	80,426	18,990	120,175	25,011	99,416	145,186
Total general cash receipts	6,613,116	18,990	6,665,379	25,011	6,632,106	6,690,390
Total cash receipts	7,779,061	3,180,951	8,200,432	3,128,281	10,960,012	11,328,713
Cash Disbursements:						
Security of persons and property	934,524	-	909,642	-	934,524	909,642
Public health services	61,951	-	61,197	-	61,951	61,197
Leisure time activities	386,122	-	413,058	-	386,122	413,058
Community environment	495,844	-	551,895	-	495,844	551,895
Transportation	1,265,240	-	2,815,868	-	1,265,240	2,815,868
General government	1,236,732	-	1,522,268	-	1,236,732	1,522,268
Capital outlay	375,428	-	769,688	-	375,428	769,688
Debt service:						
Principal retirement	2,685,086	-	671,577	-	2,685,086	671,577
Interest and fiscal charges	308,054	-	279,979	-	308,054	279,979
Note issue costs	9,840	-	9,820	-	9,840	9,820
Water	-	1,365,722	-	1,071,935	1,365,722	1,071,935
Sewer	-	1,269,423	-	1,815,891	1,269,423	1,815,891
Storm water	-	121,894	-	135,347	121,894	135,347
Total cash disbursements	7,758,821	2,757,039	8,004,992	3,023,173	10,515,860	11,028,165
Change in net cash assets	20,240	423,912	195,440	105,108	444,152	300,548
Net cash assets at beginning of year	3,300,230	6,240,198	3,104,590	6,135,090	9,540,428	9,239,680
Net cash assets at end of year	\$ 3,320,470	\$ 6,664,110	\$ 3,300,030	\$ 6,240,198	\$ 9,984,580	\$ 9,540,228

VILLAGE OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Governmental Activities

Governmental cash assets increased by \$20,240 in 2010 from 2009.

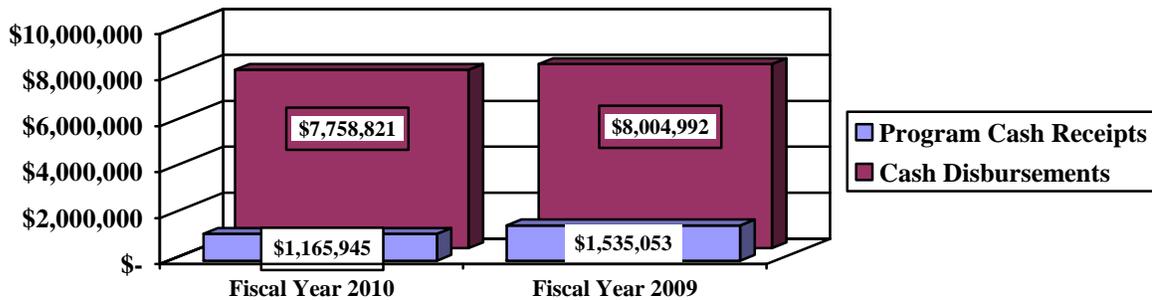
General government represents activities related to the governing body as well as activities that directly support Village programs. In 2010, general government cash disbursements totaled \$1,236,732, or 15.94% of total governmental cash disbursements. General government programs were supported primarily by \$294,633 in direct charges to users for services.

Capital outlay represents activities relating to construction projects within the Village. During 2010, capital outlay cash disbursements totaled \$375,428, or 4.84% of total governmental cash disbursements. Capital outlay was supported primarily by \$49,573 in operating grants and contributions.

The Village program, transportation, accounted for \$1,265,240 or 16.31% of total governmental cash disbursements. Transportation service programs are primarily supported by user fees, and state and federal grants.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2009. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



VILLAGE OF CANAL WINCHESTER, OHIO

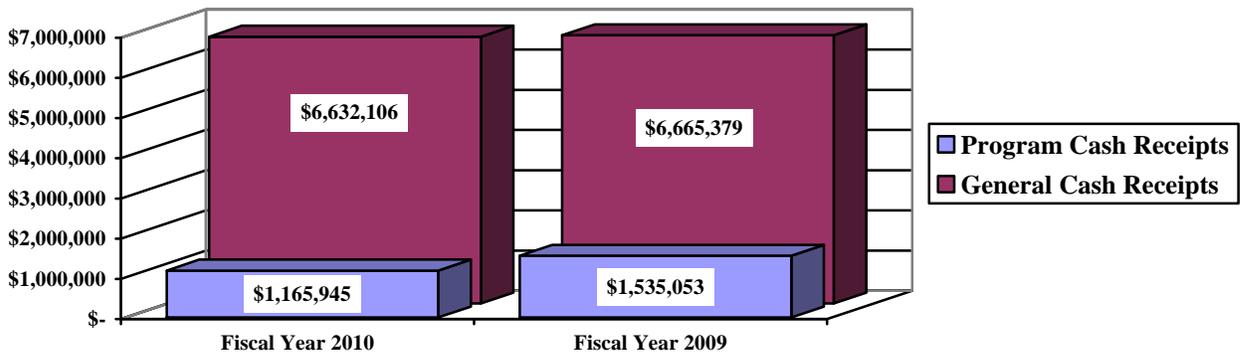
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2009	2009
Cash disbursements:				
Current:				
Security of persons and property	\$ 934,524	\$ 934,524	\$ 909,642	\$ 909,642
Public health services	61,951	61,951	61,197	61,197
Leisure time activities	386,122	235,172	413,058	288,263
Community environment	495,844	370,191	551,895	367,053
Transportation	1,265,240	723,854	2,815,868	2,295,859
General government	1,236,732	942,099	1,522,268	1,143,962
Capital outlay	375,428	322,105	769,688	442,587
Debt service:				
Principal retirement	2,685,086	2,685,086	671,577	671,577
Interest and fiscal charges	308,054	308,054	279,979	279,979
Note issue costs	9,840	9,840	9,820	9,820
Total	\$ 7,758,821	\$ 6,592,876	\$ 8,004,992	\$ 6,469,939

The dependence upon general cash receipts for governmental activities is apparent; with 84.97% of cash disbursements supported through taxes and other general cash receipts during 2010.

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$3,180,951 and cash disbursements of \$2,757,039 for fiscal year 2010. The net cash assets of the programs increased \$423,912 from 2009.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The Village's governmental funds reported a combined fund cash balance of \$3,320,270, which is \$56,392 higher than last year's total of \$3,300,030. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2010 and December 31, 2009, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2010</u>	<u>Fund Cash Balance</u> <u>December 31, 2009</u>	<u>Increase</u>
Major Funds:			
General	\$ 2,648,226	\$ 2,583,332	\$ 64,894
Debt Service	24,365	5,560	18,805
Other Nonmajor Governmental Funds	<u>647,679</u>	<u>711,138</u>	<u>(63,459)</u>
Total	<u>\$ 3,320,270</u>	<u>\$ 3,300,030</u>	<u>\$ 20,240</u>

General Fund

The general fund, the Village's largest major fund, had cash receipts and other financing receipts of \$5,332,722 in 2010. The cash disbursements and other financing disbursements of the general fund, totaled \$5,267,828 in 2010. The general fund's cash balance increased \$64,894 from 2009 to 2010.

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>				
Taxes	\$ 4,068,488	\$ 3,840,406	\$ 228,082	5.94 %
Intergovernmental	315,934	288,645	27,289	9.45 %
Special assessments	218,512	185,711	32,801	17.66 %
Charges for services	142,848	118,681	24,167	20.36 %
Fines, licenses and permits	432,487	551,445	(118,958)	(21.57) %
Investment income	85,232	117,311	(32,079)	(27.35) %
Other	<u>68,721</u>	<u>113,812</u>	<u>(45,091)</u>	<u>(39.62) %</u>
Total	<u>\$ 5,332,222</u>	<u>\$ 5,216,011</u>	<u>\$ 116,211</u>	<u>2.23 %</u>

The increase in taxes is primarily due to the increase in the village income tax of \$243,444 from the previous fiscal year. Lower receipts in fines, licenses and permits are primarily due to the cash receipts of waste management franchise fees which decreased \$82,573 from the prior year. Investment income decreased due to a decrease in interest rates in the market.

VILLAGE OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase/</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>				
Security of persons and property	\$ 934,524	\$ 909,642	\$ 24,882	2.74 %
Public health service	61,951	61,197	754	1.23 %
Leisure time activity	115,311	134,957	(19,646)	(14.56) %
Community environment	495,844	551,895	(56,051)	(10.16) %
Transportation	716,454	2,167,627	(1,451,173)	(66.95) %
General government	1,236,732	1,503,316	(266,584)	(17.73) %
Capital outlay	178,567	291,697	(113,130)	(38.78) %
Debt service	<u>-</u>	<u>9,820</u>	<u>(9,820)</u>	(100.00) %
Total	<u>\$ 3,739,383</u>	<u>\$ 5,630,151</u>	<u>\$ (1,890,768)</u>	(33.58) %

Leisure time activity decreased due to the decrease in the amount on contract services from the prior year. Community environment costs decreased due to expansion of the GIS program in house. Transportation disbursements decreased due to the Eichhorn Rutherford Robinett project disbursements. These disbursements decreased \$1,451,173 from the prior year mainly due to a contract established for a work regarding a street project. General government decreased primarily due to the amount of money spent for engineering and planning. This decrease can be attributed to the lack of projects and private subdivision developments ongoing in the Village.

Debt Service Fund

The debt service fund, a Village major fund, had other financing receipts of \$3,021,785 in 2010. The debt service fund had cash disbursements of \$3,002,980 in 2010. The debt service fund cash balance increased \$18,805 from 2009 to 2010.

Budgeting Highlights - General Fund

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

For the general fund, final budgetary basis receipts and other financing sources of \$5,929,981 were the same as original budget estimates. Actual cash receipts and other financing receipts of \$5,368,857 were less than final budget estimates by \$561,124. The final budgetary basis disbursements and other financing disbursements of \$5,941,452 were \$103,458 above original budget estimates. The actual budgetary basis disbursements and other financing disbursements of \$5,352,875 were \$588,577 less than the final budget estimates.

Enterprise Funds

The Village's enterprise funds reported a combined fund cash balance of \$6,664,110, which is \$423,912 above last year's total of \$6,240,198.

VILLAGE OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2010 and December 31, 2009, for all major and nonmajor enterprise funds:

	<u>Fund Cash Balance December 31, 2010</u>	<u>Fund Cash Balance December 31, 2009</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
Water	\$ 2,377,886	\$ 2,396,607	\$ (18,721)
Sewer	3,899,514	3,548,360	351,154
Other Enterprise Fund	<u>386,710</u>	<u>295,231</u>	<u>91,479</u>
Total	<u>\$ 6,664,110</u>	<u>\$ 6,240,198</u>	<u>\$ 423,912</u>

Water Fund

The water fund, a Village major fund, had operating cash receipts of \$1,347,001 and operating cash disbursements of \$880,223 during 2010. The water fund had \$485,499 in nonoperating cash disbursements during 2010. The water fund's net cash assets decreased \$18,721 during 2010 from \$2,396,607 to \$2,377,886.

Sewer Fund

The sewer fund, a Village major fund, had operating cash receipts of \$1,620,577 and operating cash disbursements of \$789,178 during 2010. The sewer fund had \$480,245 in nonoperating cash disbursements. The sewer fund's net cash assets increased \$351,154 during 2010 from \$3,548,360 to \$3,899,514.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$548,594 during fiscal year 2010.

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2010 and 2009.

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
G.O. Bonds	\$ 6,750,000	\$ 7,280,000
OPWC loans	<u>2,430,372</u>	<u>2,585,458</u>
Total long-term obligations	<u>\$ 9,180,372</u>	<u>\$ 9,865,458</u>

VILLAGE OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business-Type Activities <u>2010</u>	Business-Type Activities <u>2009</u>
Mortgage revenue bonds	\$ 4,335,000	\$ 4,570,000
OPWC loans	205,987	215,469
OWDA loans	<u>4,657,788</u>	<u>5,017,467</u>
Total long-term obligations	<u>\$ 9,198,775</u>	<u>\$ 9,802,936</u>

Economic Factors and Next Year's Budget and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2011:

The Village is located in Franklin County, Ohio, which has an unemployment rate currently of 7.6 % in December 2010, compared to the 9.6% state average and the 9.4% national average.

State funding continues to decline due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds will continue to be a target for the State of Ohio budgetary shortfalls. These funds represented 3.24% of the Village's general fund revenue in 2010. Property tax receipts are expected to remain consistent. Income tax receipts fell significantly in 2009 due to loss of employees at one major employer in the Village and a decline of total number of employees in several major businesses in the Village.

Budgeted receipts and other financing sources in the general fund for fiscal year 2011 are \$5,896,650 which reflects a small increase in anticipated income tax revenue collections over 2010 actual. The Village has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Nanisa Osborn, Finance Director, Village of Canal Winchester, 36 South High Street, Canal Winchester, Ohio 43110-1213.

**CASH BASIS BASIC
FINANCIAL STATEMENTS**

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	\$ 3,320,270	\$ 6,664,110	\$ 9,984,380
Total assets.	<u>3,320,270</u>	<u>6,664,110</u>	<u>9,984,380</u>
Net cash assets:			
Restricted for:			
Leisure time activities	50,554	-	50,554
Transportation	480,017	-	480,017
General government	29,009	-	29,009
Other purposes	34,191	-	34,191
Debt service.	24,365	-	24,365
Capital projects	53,908	-	53,908
Unrestricted	<u>2,648,226</u>	<u>6,664,110</u>	<u>9,312,336</u>
Total net cash assets	<u>\$ 3,320,270</u>	<u>\$ 6,664,110</u>	<u>\$ 9,984,380</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
Security of persons and property	\$ 934,524	\$ -	\$ -	\$ -
Public health services	61,951	-	-	-
Leisure time activities	386,122	150,950	-	-
Community environment	495,844	125,653	-	-
Transportation.	1,265,240	233,621	307,765	-
General government.	1,236,732	294,633	-	-
Capital outlay	375,428	-	49,573	3,750
Debt service:				
Principal retirement.	2,685,086	-	-	-
Interest and fiscal charges	308,054	-	-	-
Note issue costs	9,840	-	-	-
Total governmental activities	<u>7,758,821</u>	<u>804,857</u>	<u>357,338</u>	<u>3,750</u>
Business-Type activities:				
Water	1,365,722	1,329,971	-	-
Sewer	1,269,423	1,618,617	-	-
Storm Water	121,894	213,373	-	-
Total business-type activities	<u>2,757,039</u>	<u>3,161,961</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 10,515,860</u>	<u>\$ 3,966,818</u>	<u>\$ 357,338</u>	<u>\$ 3,750</u>

General Cash Receipts:

Property and other taxes levied for:	
General purposes	
Special revenue	
Income taxes	
Grants and entitlements not restricted to specific programs . .	
Sale of assets	
Sale of notes	
Premium on notes	
Investment receipts	
Miscellaneous	
Total general cash receipts.	
Change in net cash assets	
Net cash assets at beginning of year.	
Net cash assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (934,524)	\$ -	\$ (934,524)
(61,951)	-	(61,951)
(235,172)	-	(235,172)
(370,191)	-	(370,191)
(723,854)	-	(723,854)
(942,099)	-	(942,099)
(322,105)	-	(322,105)
(2,685,086)	-	(2,685,086)
(308,054)	-	(308,054)
(9,840)	-	(9,840)
(6,592,876)	-	(6,592,876)
-	(35,751)	(35,751)
-	349,194	349,194
-	91,479	91,479
-	404,922	404,922
(6,592,876)	404,922	(6,187,954)
392,832	-	392,832
50,196	-	50,196
3,675,656	-	3,675,656
315,934	-	315,934
500	-	500
2,000,000	-	2,000,000
12,340	-	12,340
85,232	-	85,232
80,426	18,990	99,416
6,613,116	18,990	6,632,106
20,240	423,912	444,152
3,300,030	6,240,198	9,540,228
\$ 3,320,270	\$ 6,664,110	\$ 9,984,380

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 2,648,226	\$ 24,365	\$ 647,679	\$ 3,320,270
Total assets	<u>\$ 2,648,226</u>	<u>\$ 24,365</u>	<u>\$ 647,679</u>	<u>\$ 3,320,270</u>
Fund cash balances:				
Reserved for encumbrances.	\$ 85,047	\$ -	\$ 13,807	\$ 98,854
Unreserved, undesignated, reported in:				
General fund.	2,563,179	-	-	2,563,179
Special revenue funds	-	-	591,316	591,316
Debt service funds.	-	24,365	-	24,365
Capital projects fund.	-	-	42,556	42,556
Total fund cash balances	<u>\$ 2,648,226</u>	<u>\$ 24,365</u>	<u>\$ 647,679</u>	<u>\$ 3,320,270</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
Property taxes	\$ 392,832	\$ -	\$ 50,196	\$ 443,028
Income taxes	3,675,656	-	-	3,675,656
Intergovernmental	315,934	-	356,922	672,856
Special assessments	218,512	-	-	218,512
Charges for services	142,848	-	-	142,848
Fines, licenses and permits.	432,487	-	5,800	438,287
Interest.	85,232	-	416	85,648
Rental income	-	-	5,210	5,210
Contributions and donations	-	-	3,750	3,750
Other.	68,721	-	11,705	80,426
Total cash receipts	<u>5,332,222</u>	<u>-</u>	<u>433,999</u>	<u>5,766,221</u>
Cash disbursements:				
Current:				
Security of persons and property	934,524	-	-	934,524
Public health services	61,951	-	-	61,951
Leisure time activities	115,311	-	270,811	386,122
Community environment.	495,844	-	-	495,844
Transportation	716,454	-	548,786	1,265,240
General government	1,236,732	-	-	1,236,732
Capital outlay	178,567	-	196,861	375,428
Debt service:				
Principal retirement	-	2,685,086	-	2,685,086
Interest and fiscal charges	-	308,054	-	308,054
Note issue costs	-	9,840	-	9,840
Total cash disbursements	<u>3,739,383</u>	<u>3,002,980</u>	<u>1,016,458</u>	<u>7,758,821</u>
Excess/(deficiency) of cash receipts over/(under) cash disbursements	<u>1,592,839</u>	<u>(3,002,980)</u>	<u>(582,459)</u>	<u>(1,992,600)</u>
Other financing receipts (disbursements):				
Sale of notes	-	2,000,000	-	2,000,000
Premium on notes	-	12,340	-	12,340
Sale of assets	500	-	-	500
Transfers in.	-	1,009,445	519,000	1,528,445
Transfers out	(1,528,445)	-	-	(1,528,445)
Total other financing receipts (disbursements)	<u>(1,527,945)</u>	<u>3,021,785</u>	<u>519,000</u>	<u>2,012,840</u>
Net change in fund cash balances	64,894	18,805	(63,459)	20,240
Fund cash balances at beginning of year.	<u>2,583,332</u>	<u>5,560</u>	<u>711,138</u>	<u>3,300,030</u>
Fund cash balances at end of year	<u>\$ 2,648,226</u>	<u>\$ 24,365</u>	<u>\$ 647,679</u>	<u>\$ 3,320,270</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 4,493,703	\$ 4,493,703	\$ 4,068,488	\$ (425,215)
Intergovernmental.	348,954	348,954	315,934	(33,020)
Special assessments.	241,350	241,350	218,512	(22,838)
Charges for services	157,778	157,778	142,848	(14,930)
Fines, licenses and permits	477,688	477,688	432,487	(45,201)
Interest	134,052	134,052	121,367	(12,685)
Other	75,903	75,903	68,721	(7,182)
Total budgetary basis receipts	<u>5,929,428</u>	<u>5,929,428</u>	<u>5,368,357</u>	<u>(561,071)</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	1,011,101	1,011,101	934,524	76,577
Public health services.	64,794	65,745	61,951	3,794
Leisure time activities	147,981	153,888	115,311	38,577
Community environment.	549,406	579,406	495,844	83,562
Transportation	721,241	721,241	716,454	4,787
General government	1,485,508	1,540,108	1,321,779	218,329
Capital outlay	183,931	195,931	178,567	17,364
Total budgetary basis disbursements.	<u>4,163,962</u>	<u>4,267,420</u>	<u>3,824,430</u>	<u>442,990</u>
Excess of budgetary basis receipts over (under) budgetary basis disbursements.	<u>1,765,466</u>	<u>1,662,008</u>	<u>1,543,927</u>	<u>(118,081)</u>
Other financing receipts (disbursements):				
Sale of assets	553	553	500	(53)
Transfers out	(1,674,032)	(1,674,032)	(1,528,445)	145,587
Total other financing receipts (disbursements).	<u>(1,673,479)</u>	<u>(1,673,479)</u>	<u>(1,527,945)</u>	<u>145,534</u>
Net change in fund cash balance	91,987	(11,471)	15,982	27,453
Fund cash balance at beginning of year	2,406,823	2,406,823	2,406,823	-
Prior year encumbrances appropriated	<u>251,744</u>	<u>251,744</u>	<u>251,744</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 2,750,554</u>	<u>\$ 2,647,096</u>	<u>\$ 2,674,549</u>	<u>\$ 27,453</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO
STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 2,377,886	\$ 3,899,514	\$ 386,710	\$ 6,664,110
Total assets	<u>2,377,886</u>	<u>3,899,514</u>	<u>386,710</u>	<u>6,664,110</u>
Net cash assets:				
Unrestricted.	<u>2,377,886</u>	<u>3,899,514</u>	<u>386,710</u>	<u>6,664,110</u>
Total net cash assets.	<u><u>\$ 2,377,886</u></u>	<u><u>\$ 3,899,514</u></u>	<u><u>\$ 386,710</u></u>	<u><u>\$ 6,664,110</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
Operating cash receipts:				
Charges for services	\$ 1,177,202	\$ 1,307,816	\$ 213,373	\$ 2,698,391
Capacity fees	152,769	310,801	-	463,570
Other operating cash receipts	17,030	1,960	-	18,990
Total operating cash receipts	1,347,001	1,620,577	213,373	3,180,951
Operating cash disbursements:				
Personal services	339,797	358,230	41,158	739,185
Transportation	8,049	8,490	-	16,539
Contractual services	228,469	312,621	20,945	562,035
Materials and supplies	202,664	34,639	150	237,453
Capital outlay	38,957	75,198	59,011	173,166
Other	62,287	-	630	62,917
Total operating cash disbursements	880,223	789,178	121,894	1,791,295
Operating cash receipts over operating cash disbursements	466,778	831,399	91,479	1,389,656
Nonoperating cash disbursements:				
Debt service:				
Principal retirement	(323,016)	(281,145)	-	(604,161)
Interest and fiscal charges	(162,483)	(199,100)	-	(361,583)
Total nonoperating cash disbursements.	(485,499)	(480,245)	-	(965,744)
Changes in net cash assets.	(18,721)	351,154	91,479	423,912
Net cash assets at beginning of year	2,396,607	3,548,360	295,231	6,240,198
Net cash assets at end of year	\$ 2,377,886	\$ 3,899,514	\$ 386,710	\$ 6,664,110

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF FIDUCIARY ASSETS AND NET CASH ASSETS
FIDUCIARY FUND
DECEMBER 31, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 132,895
Cash in segregated accounts	<u>11,756</u>
Total assets	<u>\$ 144,651</u>
Net cash assets:	
Unrestricted.	<u>\$ 144,651</u>
Total net cash assets	<u>\$ 144,651</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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VILLAGE OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1 - DESCRIPTION OF THE VILLAGE

The Village of Canal Winchester (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a Council-Mayor form of government and provides the following services: police protection (through Fairfield County), water and sewer utility services, park operations, street maintenance and repair, as well as general governmental services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Village's accounting policies:

A. Reporting Entity

For financial reporting purposes, the Village's basic financial statements include all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability, as defined by the GASB, exists if the Village appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Village. The Village may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the Village. The Village also took into consideration other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village's basic financial statements to be misleading or incomplete. The Village has no component units. The following organization is described due to its relationship to the Village:

Canal Winchester Industry and Commerce Corporation (the "CWICC")

The CWICC is a legally separate, non-profit corporation created on August 22, 1994 pursuant of the provisions of Ohio Rev. Code Section 1724.10. The CWICC is governed by a five-member Board of Trustees. Two of the members are from elected Village officials and the remaining three members are elected by the CWICC. Vacancies are appointed by the remaining Trustees by an affirmative majority vote. The CWICC's sole purpose is to carry out the Plan of Industrial, Commercial, Distribution and Research Development for the Village. The Village is not required under this agreement to provide any financial contribution to the CWICC. The Village did not expend any money in 2010 to the CWICC. The CWICC can incur debt, mortgage its property acquired, otherwise issue its obligations for the purpose of acquiring, constructing, improving and equipping buildings, structures and other properties and acquiring sites. The financial activities of the CWICC are not included in the financial statements of the Village.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

B. Basis of Presentation

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

Government-wide Statement of Activities - Cash Basis - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

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

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

C. Fund Accounting

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

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General fund - This fund is used to account for all financial resources of the Village except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Other governmental funds of the Village are used to account for grants and other receipts whose use is restricted to a particular purpose and for receipts and disbursements used for the acquisition, construction and improvement of capital facilities.

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the Village's major enterprise funds:

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

Sewer fund - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the Village.

The Village's nonmajor enterprise fund accounts for storm water operations.

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 Village has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village has two agency funds which account for the Village's Mayor's Court and Meijer agency fund.

D. Basis of Accounting

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

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

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate and the Budget Commission finds the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted appropriation amendments during 2010. The budgetary statement reflects the original and final appropriations as approved by Council.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Interest earnings are allocated as authorized by State statute.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2010, the Village invested in State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, negotiable certificates of deposit (CD) and U.S. government money market funds. Investments are reported at fair value.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2010.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2010 were \$85,232 which includes \$52,197 assigned from other Village funds.

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

I. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

K. Interfund Activity

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Inventory and Prepaid Items

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

N. Interfund Receivables/Payables

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

O. Fund Balance Reserves

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies 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 items 1 or 2, above, 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 State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the Village had \$150 in undeposited cash on hand which is included on the financial statements of the Village as part of "equity in pooled cash and investments".

B. Cash in Segregated Accounts

At fiscal year end, \$11,756 was on deposit for the healthcare account and was held outside of the Village's treasury. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

C. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all Village deposits was \$2,512,382. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$1,385,276 of the Village's bank balance of \$2,567,298 was exposed to custodial credit risk as discussed below, while \$1,182,022 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2010, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 1,302,499	\$ -	\$ -	\$ -	\$ 499,955	\$ 802,544
FHLMC	990,490	-	-	-	-	990,490
FNMA	2,272,780	-	-	-	500,515	1,772,265
Negotiable CD	1,198,980	-	-	-	-	1,198,980
STAR Ohio	161,302	161,302	-	-	-	-
U.S. Government money market	1,690,448	1,690,448	-	-	-	-
Total	<u>\$ 7,616,499</u>	<u>\$ 1,851,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,470</u>	<u>\$ 4,764,279</u>

The weighted average maturity of investments is 2.81 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Village's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The Village's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody Investor Services, respectively. The Village's investment policy does not specifically address credit risk beyond requiring the Village to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,302,499	17.10
FHLMC	990,490	13.01
FNMA	2,272,780	29.84
Negotiable CD	1,198,980	15.74
STAR Ohio	161,302	2.12
U.S. Government money market	1,690,448	22.19
	<u>\$ 7,616,499</u>	<u>100.00</u>

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets - Cash Basis

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets - cash basis as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,512,382
Investments	7,616,499
Cash on hand	150
Total	<u>\$ 10,129,031</u>
 <u>Cash and investments per statement of net assets - cash basis</u>	
Governmental activities	\$ 3,320,270
Business-type activities	6,664,110
Agency fund	144,651
Total	<u>\$ 10,129,031</u>

NOTE 4 - DEBT OBLIGATIONS

A. Governmental Activities

During 2010, the following changes occurred in the governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/10</u>	<u>Amounts Due in One Year</u>
<u>General obligation bonds</u>							
G.O. special assessment bonds, 1994	7.00%	12/01/2014	\$ 145,000	\$ -	\$ (25,000)	\$ 120,000	\$ 25,000
G.O. bonds, series 2004	4.23%	12/01/2024	1,935,000	-	(120,000)	1,815,000	125,000
Capital appreciation bonds, series 2004	11.03	12/01/2019	65,000	-	-	65,000	-
G.O. various purpose bonds, 2008	3.00-4.50%	12/01/2028	5,135,000	-	(385,000)	4,750,000	395,000
Total general obligations bonds			<u>7,280,000</u>	<u>-</u>	<u>(530,000)</u>	<u>6,750,000</u>	<u>545,000</u>
<u>OPWC Loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	430,283	-	(39,117)	391,166	39,117
#CC02D - North High St.	0.00%	7/01/2023	263,165	-	(18,798)	244,367	18,797
#CC03E - West Waterloo #1	0.00%	1/01/2024	436,194	-	(30,083)	406,111	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	787,100	-	(50,781)	736,319	50,781
#CC04K - Columbus St	0.00%	1/01/2029	433,200	-	(11,400)	421,800	22,800
#CC06L - Thrush Drive	0.00%	1/01/2034	235,516	-	(4,907)	230,609	9,813
Total OPWC loans			<u>2,585,458</u>	<u>-</u>	<u>(155,086)</u>	<u>2,430,372</u>	<u>171,390</u>
Total governmental activities							
long-term obligations			<u>\$ 9,865,458</u>	<u>\$ -</u>	<u>\$ (685,086)</u>	<u>\$ 9,180,372</u>	<u>\$ 716,390</u>

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEBT OBLIGATIONS - (Continued)

General Obligation Bonds:

On December 1, 1994, the Village issued \$370,000 in general obligation special assessment bonds. The bonds bear an annual interest rate of 7.00% and mature on December 1, 2014.

The Village issued \$2,549,999 in general obligation bonds during 2004. The bonds bear an annual interest rate of 4.23% and mature on December 1, 2024.

On September 18, 2008, the Village issued \$5,790,000 in general obligation various purpose bonds to currently refund the 1993 general obligation bonds, to currently refund notes maturing in 2008, and to advance refund the 1999 general obligation bonds. The refunded debt is considered defeased (in-substance).

The 2008 general obligation various purpose refunding issue is comprised of current interest bonds, par value \$5,790,000, with an annual interest rate ranging from 3.00% - 4.50% and mature on December 1, 2028.

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

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2011	\$ 545,000	\$ 251,363	\$ 796,363
2012	560,000	233,832	793,832
2013	575,000	215,333	790,333
2014	525,000	196,203	721,203
2015	505,000	178,208	683,208
2016-2020	2,220,000	873,585	3,093,585
2021-2025	1,355,000	272,600	1,627,600
2026-2028	465,000	42,300	507,300
Total	<u>\$ 6,750,000</u>	<u>\$ 2,263,424</u>	<u>\$ 9,013,424</u>

OPWC Loans - Ohio Public Works Commission Loans (OPWC) have been issued for various street improvements. The loans are interest free and principal payments are made from the debt service fund.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEBT OBLIGATIONS - (Continued)

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

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2011	\$ 171,390	\$ -	\$ 171,390
2012	171,390	-	171,390
2013	171,390	-	171,390
2014	171,390	-	171,390
2015	171,390	-	171,390
2016-2020	856,951	-	856,951
2021-2025	553,259	-	553,259
2026-2030	128,866	-	128,866
2031-2034	34,346	-	34,346
Total	\$ 2,430,372	\$ -	\$ 2,430,372

B. Business-Type Activities

During 2010, the following changes occurred in the business-type long-term obligations:

	Interest Rate	Maturity Date	Balance at 12/31/09	Additions	Reductions	Balance at 12/31/10	Due in One Year
<u>Revenue bonds</u>							
Sewer mortgage revenue bonds	2.50-4.50%	12/01/2024	\$ 4,570,000	\$ -	\$ (235,000)	\$ 4,335,000	\$ 240,000
Total revenue bonds			4,570,000	-	(235,000)	4,335,000	240,000
<u>OPWC Loans</u>							
#CT212 - Hocking St.	0.00%	1/01/2012	11,148	-	(2,229)	8,919	4,460
#CC808 - Columbus & Washington	3.00%	1/01/2016	37,148	-	(2,609)	34,539	5,336
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	167,173	-	(4,644)	162,529	9,498
Total OPWC loans			215,469	-	(9,482)	205,987	19,294
<u>OWDA Loans</u>							
#3081 - Elevated storage tank construction	6.02%	7/01/2014	207,057	-	(41,501)	165,556	44,000
#1502 - Water improvements	8.26%	1/01/2014	725,992	-	(140,071)	585,921	151,641
#4523 - Water treatment plant construction	2.75%	7/01/2027	3,305,098	-	(144,124)	3,160,974	148,114
#4672 - Well field & raw water line	2.75%	7/01/2027	779,320	-	(33,983)	745,337	34,924
Total OWDA loans			5,017,467	-	(359,679)	4,657,788	378,679
Total business-type activities			\$ 9,802,936	\$ -	\$ (604,161)	\$ 9,198,775	\$ 637,973

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEBT OBLIGATIONS - (Continued)

Revenue Bonds - The Village issued \$5,650,000 in sewer mortgage revenue bonds on December 1, 2004 for acquiring, constructing and operating improvements to the sanitary sewer collection and treatment system, due in annual installments of varying amounts, bearing interest at a variable rate ranging from 2.50% to 4.50% through 2024.

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

Year Ended December 31,	Revenue Bonds Payable		
	Principal	Interest	Total
2011	\$ 240,000	\$ 177,690	\$ 417,690
2012	250,000	169,890	419,890
2013	255,000	161,390	416,390
2014	265,000	152,337	417,337
2015	275,000	142,665	417,665
2016-2020	1,550,000	542,812	2,092,812
2021-2024	1,500,000	172,576	1,672,576
Total	<u>\$ 4,335,000</u>	<u>\$ 1,519,360</u>	<u>\$ 5,854,360</u>

The Village has pledged future sewer customer revenues, net of specified operating expenses, to acquire, construct, and make operating improvements to the sanitary sewer collection and treatment system. The sewer revenue bonds are payable solely from sewer customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require approximately 100 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$5,854,360. Principal and interest paid for the current year and total customer net revenues were \$419,740 and \$831,399, respectively.

OPWC Loans - OPWC loans have been issued finance waterline construction and sanitary sewer rehabilitation. Principal and interest payments are due in semi-annual installments.

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

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2011	\$ 19,294	\$ 5,801	\$ 25,095
2012	19,742	5,353	25,095
2013	15,744	4,891	20,635
2014	16,220	4,415	20,635
2015	16,710	3,925	20,635
2016-2020	64,739	13,108	77,847
2021-2024	53,538	3,676	57,214
Total	<u>\$ 205,987</u>	<u>\$ 41,169</u>	<u>\$ 247,156</u>

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEBT OBLIGATIONS - (Continued)

OWDA Loans - The Village has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2010, the Village has outstanding borrowings of \$4,657,788. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

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

Fiscal Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2011	\$ 378,679	\$ 164,537	\$ 543,216
2012	398,922	144,295	543,217
2013	420,499	122,718	543,217
2014	316,507	99,708	416,215
2015	204,169	85,043	289,212
2016-2020	1,108,841	337,222	1,446,063
2021-2025	1,271,095	174,968	1,446,063
2026-2027	559,076	19,349	578,425
Total	<u>\$ 4,657,788</u>	<u>\$ 1,147,840</u>	<u>\$ 5,805,628</u>

NOTE 5 - SHORT-TERM NOTES PAYABLE

A summary of the short-term notes payable transactions for 2010 follows:

	Issue Date	Maturity Date	Balance December 31, 2009	Increase	Decrease	Balance December 31, 2010
Bond Anticipation Notes:						
Notes Series 2009	5/14/09	5/13/10	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -
Notes Series 2010	5/13/10	5/12/11	-	2,000,000	-	2,000,000
Total bond anticipation notes			<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ (2,000,000)</u>	<u>\$ 2,000,000</u>

The Village issued \$2,000,000 in roadway improvement notes on May 13, 2010. The notes bear an interest rate of 1.00% and mature on May 12, 2011. The notes were issued to retire the bond anticipation notes series 2009 and were for the purpose of constructing, resurfacing, widening and improving Rutherford Drive, Robinett Way and Eichorn Street.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the Village. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village of Canal Winchester. The County Auditor periodically remits to the Village its portion of the taxes collected.

The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

	2010	2009
Real property tax	\$ 224,788,940	\$ 221,873,300
Public utility tangible personal property	2,103,580	2,294,280
Tangible personal property	103,167	200,433
Total assessed valuation	\$ 226,995,687	\$ 224,368,013

VILLAGE OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. The Village gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the Village. The City of Columbus administers and collects income taxes for the Village. Payments, net of collection fees, are remitted monthly for tax receipts received by the City of Columbus in the prior month. The Village collected \$3,675,656 in 2010 in income tax receipts which are receipted directly into the general fund.

NOTE 8 - PENSION PLAN

Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. 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 Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The Village's contribution rate for 2010 was 14.00%.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 8 - PENSION PLAN - (Continued)

The Village's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The Village's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$144,231, \$135,331, and \$111,655, respectively; 91.45% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$320 made by the City and \$228 made by the plan members.

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare 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 2010, local government employers contributed 14.00% of covered payroll (17.87% 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 the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment healthcare plan.

The Village’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$79,819, \$97,855, and \$111,655, respectively; 91.45% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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

NOTE 10 - RISK MANAGEMENT

The Village is founding member of the Central Ohio Health Care Consortium (the “Consortium), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of seven political subdivisions that pool risk for basic hospital, surgical and prescription drug coverage. The Village pays monthly contributions to the Consortium, which is used to cover claims and administrative costs, and to purchase excess loss insurance for the plan. The Consortium has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier.

NOTE 11 - CONTINGENT LIABILITY

The Village is involved in no material litigation as either plaintiff or defendant.

NOTE 12 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Debt service fund	\$ 1,009,445
Nonmajor governmental funds	<u>519,000</u>
Total	<u>\$ 1,528,445</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide statement of activities - cash basis.

VILLAGE OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 13 - SUBSEQUENT EVENT

- A.** On April 13, 2011, the Village entered into a loan agreement with the Ohio Water Development Authority for a wastewater system upgrade in the amount of \$1,102,705 with an interest rate of 2.12%.
- B.** On March 30, 2011, the City received a proclamation from the Secretary of State that the Village of Canal Winchester will be considered a City beginning April 29, 2011 based on the result of the most recent census data received.



Julian & Grube, Inc.
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**Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and other Matters
Required by *Government Auditing Standards***

Village of Canal Winchester
Franklin County
36 South High Street
Canal Winchester, Ohio 43110-1213

To the Members of Council and Mayor:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Canal Winchester, Franklin County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Village of Canal Winchester's basic financial statements and have issued our report thereon dated April 22, 2011, wherein we noted the Village of Canal Winchester prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Village of Canal Winchester's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village of Canal Winchester's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village of Canal Winchester's internal control over financial reporting.

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

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

Members of Council and Mayor
Village of Canal Winchester

Compliance and Other Matters

As part of reasonably assuring whether the Village of Canal Winchester's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, members of Council and Mayor of the Village of Canal Winchester, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
April 22, 2011



Dave Yost • Auditor of State

VILLAGE OF CANAL WINCHESTER

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
JULY 21, 2011